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COMMITTEE MEETING
STATE OF CALIFORNIA
INTEGRATED WASTE MANAGEMENT BOARD
SUSTAINABILITY AND MARKET DEVELOPMENT COMMITTEE

JOE SERNA, JR., CALEPA BUILDING
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SIERRA HEARING ROOM
SACRAMENTO, CALIFORNIA

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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

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Rosario Marin

Rosalie Mul

STAFF

Mark Leary, Executive Director

Julie Nauman, Chief Deputy Director

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Boons Baythavong, Staff

Maria Kakutani, Staff

Raffy Kouyoumdjian, Staff

Susan Kumpulainien, Committee Secretary

Jim La Tanner, Supervisor, Loan Program

Piper Miguelgorry, Staff

Phil Moralez, Branch Manager, State and Local Assistance
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APPEARANCES CONTINUED

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Lorraine Van Kekerix, Branch Manager, Waste Analysis
Branch

Patty Wohl, Deputy Director, Waste Prevention and Market
Development

ALSO PRESENT

Alan Abbs, Tehama County/Red Bluff Landfill Management
Agency

Doug Hodel, Boutin Dentino

Gary Holmquist, Community Reinvestment Fund

Bryan Kummimoto, Stanislaus County Environmental Resources

Nick Lazares, Capital Crossing Bank

Jeanne Lear, South Tahoe Refuse Co.

Georgianna McDonald, Citizen of Stanislaus County

Jeb Schaefer, Capital Crossing Bank

Scott Smithline, CA Against Waste

Rick Wayne, Capital Crossing Bank

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1 PROCEEDINGS

2 CHAIRPERSON PAPARIAN: Good morning, everybody.

3 This is our meeting of the Sustainability and Market
4 Development Committee.

5 To get us started, secretary, please call the
6 roll.

7 SECRETARY KUMPULAINIEN: Marin?

8 COMMITTEE MEMBER MARIN: Present.

9 SECRETARY KUMPULAINIEN: Mulé?

10 COMMITTEE MEMBER MULÉ: Present.

11 SECRETARY KUMPULAINIEN: Paparian?

12 CHAIRPERSON PAPARIAN: Here.

13 As a reminder, if you'd -- was that a cell phone?
14 Cool. If you could turn up your cell phones and make them
15 as loud and obnoxious as possible, that way the meeting
16 will stop periodically and all eyes will draw to you.

17 If you want to speak on any item that's coming up
18 today, there's speaker slips in the back of the room. And
19 you can fill one out and give it to Ms. Kumpulainen here
20 in the front of the room.

21 And do any Board members have any ex partes?

22 COMMITTEE MEMBER MULÉ: No. I'm up to date.

23 COMMITTEE MEMBER MARIN: So am I.

24 CHAIRPERSON PAPARIAN: And I'm up to date.

25 We can get started. Deputy Director, Patty Wohl.

1 DEPUTY DIRECTOR WOHL: Good morning, Chair
2 Paparian and Committee members. Patty Wohl with the Waste
3 Prevention and Market Development Division.

4 CHAIRPERSON PAPARIAN: Before you get started,
5 we're getting that background noise again, Bob. Oh,
6 you're testing it.

7 Go ahead.

8 DEPUTY DIRECTOR WOHL: I'd like to tell you a
9 little bit about some of the highlights from this month,
10 the first being that we unveiled the green lodging
11 program. The event occurred last Wednesday in
12 San Francisco at the Triton Hotel. Both Mr. Paparian and
13 Rosario Marin were present, as well as Terry Tamminen.

14 I think maybe a good thing to highlight is that
15 we had a considerable amount of press at the event. And,
16 in fact, we've already had two articles in the Wall Street
17 Journal. We have a story pending in the Oakland Tribune.
18 We got some coverage from Channel 5 in San Francisco and
19 Oakland. The San Francisco -- or the San Jose Mercury
20 News is also pending a story. We're going to have a
21 discussion on the radio, eco talk. That should be
22 occurring in November, as well travelscene.com, which is
23 an Australian online -- Travel Weekly carried an article
24 on this.

25 We got a lot of press. It was a great event. It

1 was an evening event that was attended by 500 people. So
2 it really was a success story. And a lot of the credit
3 goes to Roberta Kunisaki and Bill Orr for putting that on.

4 Some highlights in the arena of plastics. We
5 have a meeting set up October 12th to discuss the
6 increasing collection of plastic film. We're working on
7 scheduling for the week of October 18th a meeting with the
8 California Bag and Film Alliance to further discuss the
9 management of plastic film products. Per the Chair's
10 direction, we have a -- we've been working on organizing
11 an October 27th workshop to talk about the plastic trash
12 bag legislative report.

13 And then we're continuing our work on the quality
14 assurance testing. And that's a contract with CSU Chico.
15 We will be testing this month three processing facilities
16 in California, kind of the new specifications, one in
17 Stockton and two in Los Angeles. So we'll have some
18 results from that.

19 And then, lastly, I wanted to mention the
20 Conversion Technology Workshop, which was also a huge
21 success. Fernando Berton and Judy Friedman and others led
22 that effort. We conducted a workshop to solicit
23 information on what we should include in the legislative
24 report. It was well attended. We had industry vendors,
25 the environmental community, local government, SMUD, a

1 whole host of others. We've received feedback since that
2 that it was very participative, acknowledging our effort
3 and that both sides felt like it was a successful
4 workshop. So I think we're coming to some areas of kind
5 of collaboration. So we're feeling good about that.
6 We'll be bringing the legislative report back to the Board
7 in December. So that concludes my report today.

8 CHAIRPERSON PAPARIAN: Any questions?

9 COMMITTEE MEMBER MARIN: I just want to say I had
10 a wonderful time, as I'm sure you did, Mr. Chair, at the
11 Triton Hotel. They did a remarkable job. And I do want
12 to commend staff. It was a fabulous event put together to
13 highlight the efforts that our Board is doing and also to
14 acknowledge the great work of the Triton Hotel. And what
15 was amazing, Mr. Chair, is that they started with this
16 little hotel. And I will tell the story because I was so
17 impressed.

18 A janitor a long time ago started picking out the
19 trash at the end of the day. The janitor decided he was
20 going to recycle. So on his own -- you know, there were
21 no programs. This was some years ago. He was the one
22 that started the recycling. And then Michael, you know,
23 said, "Well, gee, you're doing this on your own. Maybe we
24 should do something more." But the genesis started with a
25 janitor taking the initiative, as I understand. I'm

1 giving a lot of credit to the janitor. But I thought that
2 was remarkable. And then they started with a couple of
3 rooms. And now it's their entire hotel. But even more
4 important than that is their entire chain, 40 something
5 hotels.

6 DEPUTY DIRECTOR WOHL: I think 38.

7 COMMITTEE MEMBER MARIN: Two more are coming.

8 And I think that the seeds that we plant throughout
9 California, now they're having ramifications in Australia
10 and the like. So I really want to congratulate staff for
11 doing a fabulous job. And Roberta does merit very high
12 recognition. Give her our best.

13 Thank you, Mr. Chair.

14 CHAIRPERSON PAPARIAN: Thank you.

15 And we'll talk about this more. But it was very
16 well done by our staff and our Public Affairs Office
17 working very well in conjunction with our staff.

18 And then if anybody else is curious, there are 26
19 hotels in the program. You can look at our website and
20 see them. And they are in all price ranges. You can get
21 from an econo lodge to some of the higher-end hotels.

22 DEPUTY DIRECTOR WOHL: Okay. With that, I can
23 start on agenda Item B, which is Agenda Item 13 in your
24 board book, Consideration of Application to Expand and
25 Renew the Chino Valley Recycling Market Development Zone

1 Designation. And Raffy Kouyoumdjian will present.

2 MR. KOUYOUMDJIAN: Good morning, Chairman
3 Paparian, Committee members. My name is Raffy
4 Kouyoumdjian. I'm here to present Item B, Consideration
5 of the Application of Expanding and Renew the Chino Valley
6 Recycling Market Development Zone.

7 In March of 1995, the Board approved the original
8 designation of the Chino Valley RMDZ. The Chino Valley
9 RMDZ consists of the cities of Chino and Chino Hills. The
10 most recent Chino Valley RMDZ loan approved by the Board
11 was in October 2003 for the amount of \$2 million to
12 Envision Plastics Industries. The loan was funded in
13 September of this year.

14 This project is expected to divert 15,000 tons of
15 plastic per year and create an additional 15 jobs.
16 Details of other loans made to businesses are in your
17 agenda item.

18 The Chino Valley RMDZ ten-year designation term
19 expired on March 28th, 2004. The zone administrator
20 submitted an application prior to its expiration to renew
21 and expand the zone designation. Because of the timing of
22 the City Council meetings passing the resolutions required
23 to support the zone renewal and the Board's internal
24 review process, we were unable to bring this item forward
25 prior to October 2004.

1 In order for the zone and its businesses to
2 resume receiving RMDZ services, including low interest
3 loans, the Board is being asked to consider this
4 redesignation request. It is critical that the Board take
5 timely action on this request since the current zone
6 designation expired in March.

7 The zone renewal requires evidence of compliance
8 with CEQA. A negative declaration was prepared and
9 adopted by the city of Chino, the lead agency for the
10 renewal and expansion of the existing RMDZ and was
11 subsequently approved by the City Council of Chino Hills.

12 Staff recommends that the Board approve Option 1
13 and adopt Resolution Number 2004-256. This concludes my
14 presentation. Do you have any questions?

15 CHAIRPERSON PAPARIAN: Any questions?
16 Board Member Marin.

17 COMMITTEE MEMBER MARIN: Mr. Chair, I have no
18 problems with doing this. What you do like -- what I
19 would like to do, if at all possible, is to -- I'm sure
20 our staff has a particular file that lets us know which
21 zones will be expiring in a certain time. We already know
22 that.

23 MR. KOUYOUMDJIAN: We do have that.

24 COMMITTEE MEMBER MARIN: So maybe what we need to
25 do is up the ante a little bit more. So instead of giving

1 them six months' notice, we give them eight months'
2 notice.

3 MR. KOUYOUMDJIAN: We actually give them notice
4 about nine months to a year ahead of time, and they still
5 just can't get it done sometimes.

6 COMMITTEE MEMBER MARIN: I know, having been a
7 Council member, I know that we do also have the
8 limitations of when items go on the agenda and so forth.
9 And I don't know if there's anything further that we can
10 do, Mr. Chair, because there's no problem. But it does
11 seem disjointed. And I have no problem making the motion
12 to approve this item. But have staff explore maybe
13 another reminder, like a wake up call. A second wake up
14 call.

15 Thank you, Mr. Chair. I move --

16 CHAIRPERSON PAPARIAN: Hold on just a second.

17 Do you have some comments?

18 CHAIRPERSON PAPARIAN: Go ahead. I'm sorry.

19 COMMITTEE MEMBER MARIN: I move resolution
20 2004-256.

21 COMMITTEE MEMBER MULÉ: And I'll second that.

22 CHAIRPERSON PAPARIAN: It's been moved and
23 seconded.

24 Secretary, call the roll.

25 SECRETARY KUMPULAINIEN: Marin?

1 COMMITTEE MEMBER MARIN: Aye.

2 SECRETARY KUMPULAINIEN: Mulé?

3 COMMITTEE MEMBER MULÉ: Aye.

4 SECRETARY KUMPULAINIEN: Paparian?

5 CHAIRPERSON PAPARIAN: Aye.

6 And this will be a candidate for consent.

7 There's nobody here from the Chino RMDZ, is
8 there?

9 MR. KOUYOUMDJIAN: No. Thank you.

10 DEPUTY DIRECTOR WOHL: Okay. Agenda Item 14 or
11 Committee Item C, Consideration of the 2004 Waste
12 Reduction Awards Program, WRAP, of the Year WOTY winners.
13 And Piper Miguelgorry will present.

14 PROGRAM COORDINATOR MIGUELGORRY: Good morning,
15 Mr. Chair and Board members. My name is Piper
16 Miguelgorry, Program Coordinator for the Waste Reduction
17 Awards Program.

18 This item before you is to seek your approval of
19 the proposed 2004 WRAP of the Year winners. The list of
20 ten businesses was taken from the 1403 winning businesses
21 approved by the Board this past month. All these winners
22 are candidates for the WRAP of the Year category.

23 A cross-divisional evaluation Committee was
24 selected to discuss the candidates. The panel consisted
25 of staff from the Board members' offices, in particular

1 Board Member Paparian and Board Member Mulé's office;
2 Office of the Public Affairs, Waste Prevention and Market
3 Development; and Diversion, Planning and Local Assistance
4 Office.

5 These businesses were selected based on a wide
6 range of criteria and considerations, such as the quality
7 of their WRAP applications, their high scores, years as a
8 WRAP award recipient, and of course their innovative and
9 aggressive waste reduction practices. From a short list
10 of 26 businesses, again, taken from the original approval
11 of WRAP winners, the following were selected. Per the
12 attachment, American Honda Corporation in the city of
13 Torrance, Eco-Pop Designs in Moss Beach, Friedrich-Houston
14 Enterprises in Lomita, Lockheed Martin Aeronautics in
15 Palmdale, the Los Angeles Zoo in Los Angeles, the Nomad
16 Cafe in Oakland, North Star at Tahoe in Truckee, Quady
17 Winery in Madera, and RICOH Electronics in Tustin.

18 Of the proposed businesses, seven counties are
19 represented and eight business types. Upon approval,
20 staff will begin working with the Office of Public
21 Affairs, the Chair and the Board member's offices to
22 determine award presentation events. We encourage all the
23 Board members to participate in these events.

24 Staff recommends that the Board members approve
25 the list of the ten proposed 2004 WRAP of the Year

1 winners, adopt Board Resolution 2004-62. And I will be
2 happy to respond to any questions you may have.

3 CHAIRPERSON PAPARIAN: When you just read the
4 list, I have one more on my list. Was one dropped off or
5 did we miss --

6 DEPUTY DIRECTOR WOHL: No. We should have also
7 mentioned Frito-Lay from Modesto, I think.

8 PROGRAM COORDINATOR MIGUELGORRY: Yes. I just
9 went right through that. Yes.

10 CHAIRPERSON PAPARIAN: I'm sure Board Member
11 Washington will appreciate this, having done the tofu
12 facility a couple years ago. He will probably have dibs
13 on this one.

14 PROGRAM COORDINATOR MIGUELGORRY: From tofu to
15 fritos, that's quite a jump.

16 CHAIRPERSON PAPARIAN: Okay. Any questions?

17 COMMITTEE MEMBER MULÉ: Mr. Chair, I do have a
18 question. Piper, how are we going to recognize these
19 companies?

20 PROGRAM COORDINATOR MIGUELGORRY: Well, the
21 process of recognition is determined by the businesses
22 themselves. What we do, as I indicated, the Office of
23 Public Affairs will contact them in regards to scheduling
24 and will work with your offices.

25 What we do from this point forward -- I've

1 actually been moving on this. We develop a specific
2 certificate award for them that is designed just for the
3 WRAP of the Year candidates. You will present that.
4 These will be hand signed by the Board members beforehand.
5 And you will present those certificates along with the
6 recycled content glass plate that I will be having
7 engraved with the business's name, the Waste Board, and
8 also the WRAP logo. And then the event will be determined
9 by the businesses own, you know, request. We pull in, of
10 course, the media aspect of it, which is great. And
11 generally speaking, the city and the counties will
12 participate as well as legislative offices.

13 COMMITTEE MEMBER MULÉ: Thank you. Because I
14 think we had this discussion a little bit earlier. And I
15 just see this as such an opportunity to showcase these
16 businesses in their own community and for them to serve as
17 a role model for other businesses and encourage other
18 businesses to do what they're doing and more.

19 And so I'm just hoping that, you know, we work
20 very closely with our Public Affairs Department in
21 getting, you know, these events publicized as much as
22 possible. Because there are a lot of businesses out there
23 that do take pride in knowing that they are a WRAP of the
24 Year winner, and so I think it's important.

25 Thank you for all your hard work.

1 PROGRAM COORDINATOR MIGUELGORRY: You're welcome.

2 And Mr. Paparian can probably attest to having been at a
3 few of the events to discuss that with you further.

4 CHAIRPERSON PAPARIAN: And there's something I'd
5 like to maybe discuss and explore over the next few
6 months, and that would be whether it might be possible to
7 incorporate some of this into the Governor's Environmental
8 Awards. It's way too late for this year. They're coming
9 up I think in December. But it might be interesting to
10 see if we could pull one or two of our winners and somehow
11 incorporate that into the Governor's Environmental Award
12 Program.

13 PROGRAM COORDINATOR MIGUELGORRY: And you are
14 aware that many of our WRAP winners go on to apply for the
15 Governor's awards.

16 CHAIRPERSON PAPARIAN: Yes.

17 PROGRAM COORDINATOR MIGUELGORRY: We definitely
18 do a mass distribution of information to our winners so
19 that they can, in fact, apply for that award.

20 CHAIRPERSON PAPARIAN: Board Member Marin.

21 COMMITTEE MEMBER MARIN: Mr. Chair, maybe what we
22 can do is in collaboration with the Governor, instead of
23 having the business go through the process, that we as a
24 Board recommend to the Governor one or two awards, that we
25 take initiative that they have done such an outstanding

1 job -- and they probably would do it on their own. But I
2 think it would be heavily weighted that the Board
3 itself -- you know, all the businesses, this one really
4 should merit the Governor's award. I think maybe special
5 mention if not necessarily -- something like that. I
6 think we could work with the Governor's office on that.

7 CHAIRPERSON PAPARIAN: Yes. I think it might be
8 something worth exploring. I know they're in the middle
9 of getting ready for their awards program in December
10 right now. So maybe sometime after that we can have a
11 little discussion and see if there's some possibility
12 there.

13 COMMITTEE MEMBER MARIN: We can ask for this year
14 special mention.

15 CHAIRPERSON PAPARIAN: Well, nothing stops us
16 from asking. But I know they've already gone through a
17 many-month process to develop the folks that they're going
18 to honor this year.

19 PROGRAM COORDINATOR MIGUELGORRY: That sounds
20 like a great idea. And the fun part will be selecting one
21 of the ten.

22 COMMITTEE MEMBER MARIN: My question was going to
23 be -- and I know we have the information as to how much
24 they diverted, how much they were able to reuse or
25 recycle. It's not here. But I know that the Committee,

1 you know, was privy to that information. It might be a
2 good idea to either collectively say as a result of WRAP
3 Award Program was responsible for diverting or reusing or
4 recycling so much tonnage, you know. I didn't see it
5 here.

6 PROGRAM COORDINATOR MIGUELGORRY: I'm sorry. Are
7 you speaking specifically to these ten businesses?

8 COMMITTEE MEMBER MARIN: Either or. If we're
9 going to highlight, we're going to be able to say this
10 little cafe, you know, was able to recycle 90 percent of
11 whatever, or whatever it is. But to have some measure of
12 success.

13 PROGRAM COORDINATOR MIGUELGORRY: And I can
14 obtain those statistics for you. I would like to stress,
15 though, that the statistics that are provided to us by the
16 applicants are very rough estimates for the most part, but
17 we can retrieve that information.

18 COMMITTEE MEMBER MARIN: Mr. Chair, that would
19 really account for our success. We will be able to say
20 this is how we measure it. This is why we're successful.

21 Thank you, Mr. Chair.

22 CHAIRPERSON PAPARIAN: That's a good suggestion.

23 COMMITTEE MEMBER MULÉ: With that, I'll move
24 approval of Resolution 2004-262.

25 COMMITTEE MEMBER MARIN: I'll second that.

1 CHAIRPERSON PAPARIAN: It's been moved and
2 seconded.

3 We can substitute the previous roll call and put
4 this one on consent.

5 PROGRAM COORDINATOR MIGUELGORRY: Thank you very
6 much.

7 DEPUTY DIRECTOR WOHL: Okay. October Board Item
8 15, Committee Item D, Consideration of the Bulk Sale of
9 Recycling Market Development Revolving Loan Program Loans.
10 And Jim La Tanner will present.

11 LOAN PROGRAM SUPERVISOR LA TANNER: Good morning,
12 Committee members.

13 This item presents for consideration to sell or
14 not to sell a portion of the RMDZ loans. And if the
15 Committee decides to sell, to select one of two bidders.

16 The primary reason we're considering the bulk
17 loan sale is because the income to the loan program has
18 been declining for several years now, primarily due to
19 decreased interest rates. We were getting as much as 6, 6
20 1/4 percent on the loans. That dropped down to 1.9
21 percent, and we subsequently had an adjustment to prime of
22 4 1/4. But the overall income is down, and the demand for
23 loans continues, and expenses to the account have somewhat
24 increased.

25 The effort started about four years ago when we

1 looked at many options to leverage the loan program funds,
2 not just the bulk sale, but several other options. And we
3 had one contractor that helped us do that. Two years ago
4 at the September 2002 Board meeting, the Board did
5 consider an agenda item and directed staff to go out to
6 bid and bring the results of the bid back to the Board to
7 decide whether we were going to sell loans or not. And,
8 if so, select one of the two bidders to award it to.

9 In July, we did put out a public notice. We sent
10 it out to ten companies that we thought actually purchase
11 loans. We got two responses back, one from Community
12 Reinvestment Fund and one from Capital Bank. Both
13 companies are here today, should there be questions. I
14 believe one wants to make a presentation.

15 Upon receipt of the bids, the bidders came in and
16 reviewed the loans that we put out for sale and reviewed
17 the files to make sure they're properly documented and
18 determine the collateral positions on the loans, the
19 borrowers' continued ability to repay, submitted a final
20 bid selecting which ones they were actually going to
21 purchase.

22 Staff then took the final bid and in our
23 projections for the sub-account did three scenarios. One
24 is if we do not sell loans, how many loans can we make in
25 the future between now and the sunset date. And then

1 scenario for each of the bids.

2 Because these loans are at a below-market
3 interest rate, they would be selling at a discount. And
4 there's two bids that show that in slightly different
5 scenarios. There's a discount because the bidders need to
6 at least break even or make a profit off the sale for
7 their investment.

8 The Board did do a loan sale back in '97 that was
9 successful to the Community Reinvestment Fund that did
10 achieve the purpose.

11 Staff's recommendation is to not do the loan sale
12 at this time because of the discount. There would be \$3
13 million less available between now and next sunset date to
14 make RMDZ loans.

15 You have guest speaker slips from Capital
16 Crossing Bank. I believe they wish to make a
17 presentation. And Community Reinvestment Fund is also
18 here if there are Board questions.

19 CHAIRPERSON PAPARIAN: Thank you.

20 Before we get into that, I had conversation last
21 week with Steve Lautze of the Recycling Market Development
22 Zone Administrators, and I think he provided
23 communications to all of our offices. He couldn't be here
24 today, and he asked if I would convey a little bit of his
25 position. This is not my position. This is Steve

1 Lautze's position as President of Recycling Market
2 Development Zone Administrators.

3 He was concerned about several things. One is
4 that he felt he didn't get enough notification of the
5 content of the agenda item. He felt he only got it last
6 week and was not enough time for him to fully review it.
7 He wished he had the opportunity to meet with Board
8 members prior to the Committee to discuss the loan sale
9 and history of coming to this point. He felt there was a
10 lack of balance in the analysis of this, and he felt that
11 the program would benefit from the loan sale. So he was
12 basically supportive of the loan sale and wanted that
13 conveyed. And I think the staff is aware of his position.

14 And, again, he couldn't be here today. Is there
15 anybody else from the RMDZ administrators here that is
16 going to want to speak? Okay. Any questions before we go
17 into --

18 DEPUTY DIRECTOR WOHL: Can I just also add that
19 Doug Hodell is in the audience. Maybe he can acknowledge
20 himself to the Committee members. He's our outside
21 counsel with specialty in commercial lending. So if you
22 have any specific questions on that area, he'd be happy to
23 answer those.

24 And maybe just I can respond in the area of
25 notification in Steve's e-mail to you, is that we actually

1 gave him a read on this item the Friday before last. So
2 he actually had eleven days before this Committee meeting
3 to know what our option was. We decided given that we
4 knew the sensitivity of this and his interest, we actually
5 gave him sort of an early read on that. So that was our
6 attempt to get them informed early.

7 COMMITTEE MEMBER MARIN: Is Steve a banker?

8 CHAIRPERSON PAPARIAN: He's one of the
9 administrators of the recycling development zone. He's in
10 Alameda County. He's not -- in a way he serves as a
11 banker, but he's not what you would consider a banker.

12 And then maybe I'll go ahead and say it now. In
13 my conversation with him, I had a good discussion with him
14 about RMDZs and the importance of the RMDZ program. And I
15 think that -- I know from some of the comments my fellow
16 Board members have made there is a real commitment to the
17 RMDZ program.

18 One of things I'd like to do with the Committee,
19 regardless of what happens with this item, is sometime in
20 a few months put together some sort of workshop or panel
21 discussing the RMDZ program, the history of it, and what
22 we could do to assure really stability and improvement of
23 the program over time. I know I, for one, really want to
24 see some stability in the funding and some predictability
25 in the funding so we can keep this program effective and

1 hopefully grow it over time. So anyway, one of the things
2 I would like to do, regardless of what happens with this
3 item, is to put some focus on the RMDZ program in a few
4 months. And I think it's one that -- speaking for
5 everybody here, I think we're all very excited about the
6 program and the possibilities.

7 Okay. So we'll go into the comments. Now,
8 Mr. Hodell, you were here to answer questions. You didn't
9 necessarily -- okay.

10 I've got Rick Wayne, Nick Lazares, and Jeb
11 Schaefer from Capital Crossing Bank.

12 Come on up and identify yourself for the court
13 reporter.

14 MR. WAYNE: Thank you. Is this working? Can you
15 hear me? Thank you very much.

16 My name is Rick Wayne, and I'm the President and
17 Co-Chief Executive Officer of Capital Crossing Bank. And
18 along with me is my partner, Nick Lazares, who is Chairman
19 and also Co-Chief Executive Officer of the bank; and Jeb
20 Schaefer, who is Executive Vice President of the bank.

21 The reason we are here is that we are one of the
22 two bidders on this loan portfolio and had spent a lot of
23 time in response to the bid request doing exactly what
24 Mr. Tanner described with respect to due diligence. And
25 we appreciate the opportunity. We flew in from Boston, as

1 we wanted to come in and make admittedly a self-serving
2 pitch as to why we think you should do a bulk loan, but
3 it's not only self-serving. We think we have some
4 reconstructive suggestions for you.

5 And one or two minutes of background on our bank.
6 We're a Boston-based bank. We are in the business
7 primarily of buying loans, such as these kinds of loans.
8 We have bought from both the private sector and many
9 public sector agencies as well, including the SBA, the
10 FDIC, HUD, the RTC when it was in existence, and others.
11 And so we, therefore, have a lot of experience on this.

12 And I would point out that it is generally the
13 position of most agencies that make loans that it permits
14 them to originate more by not holding onto the paper, but
15 in turn selling it off and using their expertise to
16 originate in the market that they know.

17 Yesterday, we had an opportunity to meet with
18 both Mr. Tanner and Mr. Smith. And I can tell you, as you
19 already know, they have great talent, and Mr. Tanner in
20 particular as a former banker, in being able to originate
21 loans and servicing loans and tying up your capital in
22 loans. This is free consulting advice, which means is
23 probably isn't worth that much. We don't think that's the
24 greatest idea for you to do.

25 We have put together on relatively short notice,

1 fortunately the benefit of technology -- as you see
2 because I couldn't get the green button here, but others
3 can -- three pages, which I will try to walk you through
4 reasonably quickly to demonstrate our view on why we think
5 that you ought to do a bulk loan sale.

6 Point number one -- and incidentally I might add,
7 we don't have the benefit of all the financial information
8 that the staff has, obviously. We did use some of the
9 material that was out for the public to review to try to
10 put together our own projections. But I think I can make
11 a fairly compelling case that selling bulk loans is an
12 idea certainly worthy of a lot of consideration.

13 And if we can go to the first page of our
14 presentation, you can see that we're saying that if you do
15 a bulk sale, it will permit RMDZs to make more loans with
16 less appropriation from the IWMAs. And we have a schedule
17 which I'll walk you through in a second. But why is that?
18 The answer to that is you have a portfolio that you can
19 liquidate. You have more cash, and you can make more
20 loans. I think our numbers will support that.

21 But it's fairly compelling. And on a go-forward
22 basis, I might add, whether you do it in a bulk sale or
23 you do it some other arrangement, as we've seen in the
24 minutes, where you have a lender come in and take the
25 loan, to the extent you have the demand out there -- and I

1 suspect there's an awful lot of demand for this, with
2 respect to particularly some small amount of subsidy, I
3 think you can really put out a lot more loans.

4 Secondly, as a banker I can tell you this. This
5 issue is one of the other benefits of selling off loans is
6 transferring the credit risk. You have a portfolio that
7 has performed wonderfully well to date, has been well
8 written, well underwritten, well serviced. But the world
9 changes. And at some point, if you build up a portfolio
10 of loans and you incur some credit risk in that, you can
11 take a very substantial hit. And one of the great reasons
12 for selling off loans, which is why banks and other
13 institutions do it all the time, is to lay off the credit
14 risk.

15 Thirdly, if you get rid of the loans, you can cut
16 your infrastructure costs. I'm not suggesting any
17 personnel changes, obviously. But it would allow you to
18 focus more on what is the most valuable thing, which is to
19 originate loans so you can continue in the state really
20 doing the wonderful work that you are doing. And I might
21 add as an editorial comment, we were blown away when we
22 came into this building and see what this agency and
23 others in the state of California are doing with respect
24 to the environment. We can learn from that in Boston.

25 Secondly -- fourthly, this is an ideal time to

1 sell loans. You're in a rising interest rate environment.
2 A rising interest rate environment, as Mr. Tanner --
3 well, he didn't suggest with respect to a rising interest
4 rate environment. He did suggest though because these are
5 below-market-rate loans and market rates are higher, over
6 time as interest rates are going up, which is what
7 everyone is predicting will happen, the value of your
8 portfolio, if you were to market as we have to do in the
9 private sector, will deprecate.

10 So this is an ideal time to -- why is it an ideal
11 time? One, because it was bid at a time when rates were
12 lower. And you also have a ready, willing, and able
13 buyer. As I say, we've bought over -- I don't know if I
14 did say. We've bought over \$2 1/2 billion of loans in the
15 last six years. We perform. We have cash to do it.
16 We're a bank. We have nothing but cash through deposits,
17 and we could wire money in and close on this transaction.
18 And, therefore, you know, that is another compelling
19 reason to do it as well.

20 And I might add -- and this is just by way. Once
21 you put something out for bid, it's sometimes a good idea
22 to actually close on it. Because you have people in the
23 private sector -- just something to think about going
24 forward -- that have spent a lot of time and money with an
25 expectation that there was going to be a sale at the end

1 of the day. And while it's certainly possible -- and to
2 be clear, I'm not suggesting there was any contract or
3 binding obligation on your part to sell. There was an
4 expectation on our part, though, that if we had the high
5 price, we were able going to be able to buy these things.
6 And if you want to be to sell on a go-forward basis, I
7 think it's worthy of consideration. And the reputation of
8 risk of going out there to the market and selling this --
9 okay.

10 If we go to the second page, which will walk you
11 through to the charts, these are just the assumptions that
12 we made. And, you know, obviously, we could be slightly
13 wrong on the assumptions. They could change. But I think
14 it did demonstrate the point.

15 In our modeling, which will be the next page, we
16 assumed that there was a \$2 1/2 million appreciation for
17 this year, because that's what was in the minutes we saw
18 and we assumed that was the case.

19 We also have an assumption here in our bid which
20 is in your information. We took a 5 1/2 -- it was part of
21 the bid package. It was suggested that you take a reserve
22 for losses as much as 10 percent. We had a 5 1/2 percent
23 loan loss reserve, and that's in our model.

24 We assumed that new loans that you want to
25 originate are capped at \$10 million a year. I would

1 submit to you that that's our model. But if you go ahead
2 and on a continuing basis sell loans, you could do a lot
3 more to that to the extent you have the demand there. We
4 also assumed that new loans earn interest at 4 3/4 percent
5 and that any cash you have in the fund earns interest at 2
6 percent.

7 Okay. Now the final -- if I walk you through all
8 this, hopefully my schedule will support all of the points
9 that I've attempted to make. On the top of this shows
10 selling the loans to Capital Crossing Bank, CCB. The loan
11 proceeds from the sale in the first column are almost \$20
12 million. And as Mr. Tanner pointed out, that represents
13 about a 15 percent or \$3 million discount against their
14 principle balance.

15 And I would point out to you that that number, if
16 you ever wanted to sell in the future in a rising interest
17 rate, would get to be more because that was mostly just an
18 interest rate adjustment. It's like buying a bond. When
19 interest rates go up, the value of the bond goes down. So
20 when we looked at this and said we can't put out 4
21 percent, which is the adjusted yield on this portfolio, is
22 not a market rate yield. So you need to have a discount
23 on the principle balance to get to a market rate yield.
24 And that's what we did.

25 The second column shows the appropriation of \$2

1 1/2 million you're going to get this year.

2 The third one is a schedule of principle payments
3 coming from your -- the loans that you originate.

4 The next shows interest income on your principle
5 balance. This is assuming a one-time bulk sale to us and
6 not continuing bulk sales.

7 And without going through each column in painful
8 detail, what is interesting to see, without any additional
9 appropriation from IWMA, other than the \$2 1/2 million
10 that you're going to get this year that's already been
11 approved, you can see this schedule allows you to make \$10
12 million of loans in the first three years and then an
13 additional roughly 6 million, 5 million, 5 million -- for
14 a total of \$52 million of loans over the next seven years.
15 This is with a bulk sale.

16 The second column shows -- it's exactly the same
17 analysis, except for the fact it's no sale. And it shows
18 that with a \$2 1/2 million appropriation from IWMA this
19 year and without any additional appropriation in future
20 years, you can see the aggregate amount of loans you can
21 make is \$48 million.

22 So I've had this microphone for a very long time,
23 so let me just summarize if I could, and thank you for
24 your time.

25 Big picture summary. If you do a bulk sale, you

1 get more cash. You can put out more loans. Over the
2 seven-year period with minimal funding from IWMA, you can
3 make more loans by doing a bulk sale than you otherwise
4 can't do that.

5 Thirdly, you're laying off the credit risk. Your
6 world could look very different if you wind up at some
7 point, as has happened to lenders all over the time, that
8 these are not as collectible two or three years from now
9 as they appear today. Every loan looks great when it's
10 made. Later sometimes there's a problem with it. So it's
11 laying off the credit risk.

12 And I would finally say to you if on a go-forward
13 basis with us or somebody else you decide to use this
14 approach as a way to put out more money, your limitation
15 will not be the amount of funding that is available from
16 IWMA. Your limitation will be the amount of demand for
17 the loans out there. And you can wind up -- and we didn't
18 prepare the schedule to show you. But quite simply, if
19 you had 15 or \$20 million of demand every year for loans
20 and you have those loans funded in the private sector as
21 opposed to from the agency, that will really make a
22 difference in your community.

23 And with that, I want to thank you for your time.
24 I would be happy to answer any questions, or I don't know,
25 Nick, if you want to add anything or Jeb. I don't know

1 how much time -- we won't keep you here too long.

2 CHAIRPERSON PAPARIAN: Can I just ask you a
3 question about your chart here? And I'm not a banker, so
4 sometimes I don't quite understand some of these things.

5 You have in year one in the sell loan chart that
6 the portfolio principle payments of \$2 million, presumably
7 coming to us.

8 MR. WAYNE: Yes.

9 CHAIRPERSON PAPARIAN: If we've sold our
10 portfolio, how are we getting that much?

11 MR. WAYNE: Very good question. And I might add,
12 not being a banker probably puts you somewhere higher in
13 the food chain that I am, so that's not a bad deal.

14 But the answer to your question is there's two
15 things that are happening. One is you're not selling off
16 all of your loans. So you already have some loans that
17 are generating principle payments.

18 And, secondly, and maybe most importantly, this
19 model assumes that you're going to originate more loans
20 each year. So that is a component of two factors. One,
21 the principle amortization on the new loans that you're
22 originating, and secondly, the principle balance on those
23 loans that you're not selling. That is a very -- so that
24 would answer your question.

25 And the reason sort of -- the test of that -- not

1 that it needs to be tested. But you can see that after
2 the loan sale in year zero -- just sort of hard to have a
3 year zero, but we are in year zero. The unpaid principle
4 balance, which is the acronym for -- UPB is the acronym
5 for unpaid principle balance, shows you have \$13 million
6 of remaining principle from loans that have originated,
7 and it's that balance that generates the principle
8 payments.

9 CHAIRPERSON PAPARIAN: And then the 13 million we
10 would maintain and then the 19 million we would sell, more
11 or less, is there any qualitative difference in those
12 loans? And it's my understanding that when the decision
13 was made to put the loans out for sale, the loans that
14 were put out for sale were those that were deemed to have
15 the highest credit quality and not any credit issues.
16 What was retained were those that perhaps had credit
17 issues that you may not get as good a price.

18 And I can tell you in our pricing analysis, we
19 didn't find -- and to your credit, Mr. Tanner, we didn't
20 find a lot of credit issues with these. That's not why we
21 had a discount in this package. Our discount, which is
22 the kind of loans we like to buy, had much more to do with
23 the fact they're below the market rate of interest than
24 they were credit issues. But it does underscore the point
25 if you don't sell, at the time those \$13 million of loans

1 that were made, guess what? Those were thought to be very
2 good loans as well. And now internally you've looked at
3 them and said they're not quite as good as we thought, and
4 therefore not offering them for sale. And I assume
5 Mr. Tanner -- if I've mischaracterized that at all, I'm
6 sure --

7 CHAIRPERSON PAPARIAN: Any other questions
8 before -- okay. One of your colleagues was going to --

9 MR. WAYNE: We've been partners for 25 years.

10 MR. LAZARES: He does a better job than I do, but
11 thanks for hearing us for so long.

12 I just want to make a couple of additional points
13 or maybe to --

14 CHAIRPERSON PAPARIAN: I'm sorry. Could you
15 identify yourself for the court reporter?

16 MR. LAZARES: I'm Nick Lazares. I'm Chairman and
17 Co-Chief Executive Officer of Capital Crossing Bank.

18 And one or two other points along the line of
19 what my partner Rick just discussed, one is that if you
20 are to consider the bulk sale as a viable alternative --
21 first of all, you've gone to the market. You've gone to
22 ten buyers. Two have decided to bid. You've gotten what
23 I think are probably good, you know, indications of what
24 this portfolio is worth. As Rick points out, as time goes
25 by, as interest rates go up, the portfolio is worth less,

1 definitionally, and the loans that you are able to put
2 out, you can put out at higher rates because the market
3 rates are going up. Even at a subsidized rate, they would
4 be higher rates.

5 We did an analysis, but we did not bring it with
6 us, as Rick pointed out. If you were to put forth what is
7 the maximum amount of loans that we could put out between
8 now and the sunset period of 2011 if we were to do a loan
9 sale every year, starting this year without any additional
10 funding, you could do a total of about \$120 million of
11 loans over the next seven years. And that's not
12 complicated math. It simply is recycling capital. That's
13 what's they do on Wall Street all the time. It's what the
14 Street Treasurer's Office does here and what many of your
15 agencies do here all the time to fund their programs.

16 So in terms of certainty of making sure that the
17 programs that you're funding have an ongoing viability and
18 a source of cash, I know one of the issues in the past has
19 been Mr. La Tanner and Mr. Smith were describing is that
20 it's really never clear how much money there's going to
21 be. And so when you get toward the end of the year, as
22 the loan requests are coming in, you have to say, "Gee,
23 you know, I think we might be out of money for this year,
24 so could you please put off your project for six months?"
25 Well, that's not the way business operates. When a

1 business needs a loan, they need a loan now. They don't
2 need a loan six months from now. They don't need a loan
3 when you get new funding. They need a loan now.

4 And so I think by entering the market and by sort
5 of doing what has now become common practice certainly
6 among the government agencies that we've dealt with and
7 others, you will add a lot of credibility to the program,
8 and in terms of the borrowers. You'll be deemed a
9 reliable source of capital, not an unreliable source of
10 capital. And I think you'll be able to make a much
11 greater impact. And, again, we thank you for your time
12 and attention.

13 One more point I want to make, which is the
14 following. We are living now in the age of
15 Sarbanes-Oxley. And as bankers, we are used to dealing
16 with this. Right now, your portfolio is relatively modest
17 in size. As your portfolio grows, essentially what you
18 have if you don't sell your loans is a bank. You have
19 this whole big portfolio of loans.

20 Now I can tell you in our bank, this is what our
21 staff looks like: Internal auditors, internal real estate
22 appraisers, FDIC examiners, Commonwealth of Massachusetts
23 examiners. We have variable armies of people to be sure
24 that a portfolio of loans -- outside loan review,
25 auditors, et cetera, to make sure that the portfolio of

1 loans is, in fact, as represented.

2 Now, you don't really have a way of determining
3 that as your portfolio grows, unless you have an outside
4 source. If you sell the loans every year, you know that's
5 what they're worth. And you can avoid a lot of the
6 questions that are being raised -- now Fannie Mae is
7 facing questions. Nobody is immune these days from
8 auditing inquiries.

9 And I think it's important to have a very clear
10 mechanism for identifying the value of these loans. And
11 also it allows your people to be -- because you know
12 what's going to happen. It's absolutely going to happen,
13 because nobody is immune from this. And why should
14 anybody be immune from this. It's appropriate to be
15 accountable. Then your staff is going to be busy
16 answering auditors' questions and dealing with loan review
17 issues and dealing with all the other stuff, instead of
18 doing what they do best which is to go out and make the
19 loans that help to promote recycling and all of the
20 businesses that promote recycling in the good state of
21 California.

22 Thank you very much.

23 CHAIRPERSON PAPARIAN: Thank you.

24 Gary Holmquist from Community Reinvestment Fund.

25 MR. HOLMQUIST: Gary Holmquist, Regional Manager

1 for Community Reinvestment Fund.

2 Just want to make one point that wasn't made by
3 Capital Crossing, and it really addresses more the mission
4 of Integrated Waste Management. I put the original sale
5 together back in '96. And it was kind of the thought when
6 we put it together that we would on a regular basis come
7 back and look at recapitalizing the portfolio. And, you
8 know, the thought there was to increase the velocity of
9 the money. You know, the more that you sell, the more
10 that you can lend and increase the amount of dollars that
11 are flowing through the program.

12 You know, with this sale, Integrated Waste
13 Management can pocket initially about \$20 million, make
14 \$20 million worth of new loans, potentially look at
15 another sale in a couple years, and go through the process
16 again, potentially selling or relending another \$20
17 million.

18 Community Reinvestment Fund is experienced with
19 economic developers. We've purchased loans from over 100
20 economic developers from around the country, over \$300
21 million worth of loans. And our experience is that, you
22 know, on an annual basis, economic developers will lend up
23 to the amount of their annual capacity. So if Integrated
24 Waste Management has \$5 million to lend this next year,
25 they'll lend close to \$5 million. If you have \$20

1 million, and your zone administrators have that capacity,
2 you'll lend up to that. And what that does in a mission
3 side is helps you to push your mission that much further
4 that much faster. And you keep turning over the loans on
5 a regular basis, you can continue that. So I just want to
6 make that point. You know, obviously Capital Crossing has
7 made the case for the financial end.

8 If you have questions about our bid, I'll be
9 happy to answer them later.

10 CHAIRPERSON PAPARIAN: Questions?

11 Board Member Mulé.

12 COMMITTEE MEMBER MULÉ: Thank you, Mr. Chairman.

13 I do have a question for staff.

14 CHAIRPERSON PAPARIAN: We have one more witness,
15 but why don't you go ahead with your question.

16 COMMITTEE MEMBER MULÉ: Why don't we let them go
17 ahead first.

18 CHAIRPERSON PAPARIAN: Scott Smithline from
19 Californians Against Waste.

20 MR. SMITHLINE: Good morning, Mr. Chair,
21 Committee members. Scott Smithline, Californians Against
22 Waste. Californians Against Waste doesn't have a position
23 on this agenda item, just a couple questions.

24 And the first one is it seems as though there
25 might have been a shift in the staff's position on this.

1 Just through my previous conversations with staff, over
2 the last several months, there seemed to be more of a
3 positive approach towards the loan sale. And now there
4 seems to be a shift. And I'd be interested to know is
5 that really specific to this bid, or is there some other
6 policy or some other concepts that have come in that have
7 accounted for that? I think that's important.

8 But, ultimately, I think that this loan sale --
9 first of all, it's not free. It's up to, I think, almost
10 \$4 million. So there's a significant cost involved here.
11 I think we need to pay attention to that.

12 And I think we need to look at it in the context
13 of the RMDZ program as a whole. We just had the
14 legislation that extends this program. And there's a
15 regulatory package coming up that's going to be dealing
16 with leveraging loans through guaranteed program. And I
17 think these are also linked to the commitment that the
18 Board has towards funding this program from the IWMA. So
19 perhaps it's premature to do a loan sale at this point
20 without figuring out where the members are and where the
21 Board is on some of these other fundamental issues that
22 will affect whether or not I think it's a good idea to
23 make this loan sale.

24 So, you know, I think it was Chair Paparian who
25 just mentioned that he would like to see a process to look

1 a little more comprehensive at some of these issues. We
2 would support that. Like I said, we don't have a position
3 on this, whether or not it's a good idea to do a loan sale
4 at this time. But perhaps it might be premature, I think.

5 Thank you.

6 CHAIRPERSON PAPARIAN: Thank you.

7 Board Member Mulé.

8 COMMITTEE MEMBER MULÉ: Thank you, Mr. Chair.

9 Actually, I have several questions for staff, so
10 hopefully we can get through this rather quickly.

11 First of all, on page 2 of the agenda item, I'm
12 looking at the RMDZ loan totals from fiscal year 93-94
13 through 04-05. And while we had -- you know, just help me
14 understand this. My understanding is there was 10 million
15 in the fund all along or 5 million in the fund all along
16 annually.

17 DEPUTY DIRECTOR WOHL: Actually, the law said
18 that 5 million would be mandatorily transferred every year
19 for a period of time, and then that became permissive. So
20 5 million came in to fund it, but the 5 million did not go
21 out. It's continuously appropriated. So there became a
22 point when there was up to almost 30 million in the
23 account.

24 COMMITTEE MEMBER MULÉ: Thank you.

25 I'm looking at the loan totals for each year. I

1 mean, you go from a little over 4 million in 93-94 up to
2 11 1/2 million in 99-2000. And it looks like the last
3 couple of years we did close to 6 and then 2 million. So
4 do we -- I guess this is probably more of a question for
5 Tom, is then do we -- I'm just trying to understand how we
6 budget this every year. I'm just -- because I'm just a
7 little confused as to --

8 DEPUTY DIRECTOR WOHL: There's a couple things
9 going on. The fund has a certain amount of money in it
10 that continuously rolls over. In addition, it can get a
11 permissive transfer, depending on what's available out of
12 the IWMA. And then this actual loan is not based on what
13 was available, but the demand at that time. So we
14 typically, I think since I've been here, we've almost
15 always had \$10 million available. We haven't always met
16 that demand.

17 COMMITTEE MEMBER MULÉ: You haven't always used
18 the \$10 million?

19 DEPUTY DIRECTOR WOHL: Right. So like in a year
20 if there was 10 million and we only did 6, then 4 would
21 roll over, plus what money we collected in interest, plus
22 any transfers that were made. And so that fund is always
23 kind of influx.

24 COMMITTEE MEMBER MULÉ: And then we don't have
25 any mechanism in place to kind of anticipate what's coming

1 down the pike, or do we, as far as loans?

2 DEPUTY DIRECTOR WOHL: We know our account, what
3 we expect payments to be made. But we haven't had a lot
4 of long-range planning on what would be transferred from
5 IWMA over. That's the part that's more year by year.

6 COMMITTEE MEMBER MULÉ: And then the other
7 question I have is that there are numerous -- I was at the
8 RMDZ workshop back in May, and it was very, very
9 informative for me. And one of the things that I learned
10 is that there are numerous other sources of loan funding,
11 both public and private.

12 And my question is how often or do we make it a
13 practice of steering those businesses to those other
14 options rather than coming to us first. I mean, they come
15 to us first because we have the lowest interest rate. But
16 if we didn't, you know, would -- if we weren't here, then
17 where would they go? And so we, as a Board, start looking
18 at the bigger picture in the longer term of, you know,
19 maybe we should start looking at some of these other
20 options. So I don't know if you can address that or not.
21 But do you make it a practice of steering some of these
22 folks, some of these businesses to other sources of loans?

23 LOAN PROGRAM SUPERVISOR LA TANNER: There's
24 several comments.

25 When loan demand peaks and we have applicants

1 in-house processing and we're going to hit that \$10
2 million mark or when an applicant -- we only fund 75
3 percent of a project up to 2 million. When they need
4 money in addition to that, we do routinely refer these
5 companies, these applicants to many other sources
6 depending upon how much they need and what they would
7 qualify for. There's like twelve other types of financing
8 sources we work with on a regular basis.

9 With this chart, I'll just give you -- like in
10 year 03-04 it shows loans at 5,997,555. We actually had
11 10 million available. We set aside 1-million-850 to
12 perhaps participate in the state Loan Guarantee Program.
13 And the rest was committed to funding loans. We had one
14 loan at 2 million that the Board did approve in October
15 '03, but wasn't able to actually fund. And it
16 subsequently has this year. So the figure shows
17 5-million-9, but we actually had 8 million available.

18 The 2 million this year, that's just two loans
19 for the beginning of this fiscal year, one of which was
20 approved last year. So we've actually funded two loans
21 out of the 10 million available this year, and we have
22 other applications coming in. But most of those borrowers
23 do obtain the matching funds from the another source.
24 Most don't have the internal money to do it. Some go to
25 private banks and subordinate to them. Some get it from

1 the Treasurer's Office, maybe from the loan guarantee
2 program or other companies. A lot of them are getting it
3 from investors.

4 We have looked at several other leveraging
5 options. The state Loan Guarantee Program, we've been in
6 discussion with them for almost two years, is very
7 expensive. They want us to cover a large portion of the
8 overhead to maintain their program since the Trade and
9 Commerce Agency was put to rest. It's now with Business,
10 Transportation, and Housing. They're looking for
11 additional sources to help fund the program, not just to
12 underwrite the guarantees. We haven't reached an
13 agreement on participating. We've stalled actually in our
14 negotiations with them because the costs keep getting
15 higher and higher.

16 The other -- you know, upstairs on the 19th floor
17 is the Infrastructure Bank that does do loans to public
18 entities. So although we stopped that in our eligibility,
19 we make referrals up there. Most do get their funds from
20 these other sources, but the bulk loan sale was the most
21 feasible and easier one to execute at this time, because
22 we've done it before and we knew pretty much what we were
23 getting into. And it's actually the most expensive of the
24 other leveraging options at this time.

25 CHAIRPERSON PAPARIAN: Board Member Marin.

1 COMMITTEE MEMBER MARIN: Mr. Chair, I think that
2 I had a very wonderful presentation yesterday from staff
3 and with the wonderful presentation today. I think that
4 what we need to do is some sole searching as a Board.
5 Because the reason why this program was created was
6 precisely to encourage people to do the mission of the
7 Board. And they're creating opportunities for businesses
8 to get into the business of recycling and reusing,
9 diverting, and so forth. So if we go back to what the
10 essence of the program was, was to encourage more
11 businesses that would help us carry out our mission.

12 We have this wonderful program that really has
13 never truly been utilized to its maximum. Okay. And in
14 some instances, even from -- 2004-2005 it's not fair
15 because we're not there yet. But it's only one that has
16 been funded.

17 The question for me is, do we want to be a bank?
18 You know, we have bankers. Thank God, we have some
19 bankers with great experience that have been able to --
20 the loans that we have provided and given out, the success
21 that we have achieved in the payment schedules and
22 repayment is great. That's why it's a great opportunity
23 for other banks to come in and do it.

24 Mortgage companies sell their loan portfolios
25 time and time again. And the reason why they sell it is

1 they want to be able to have the capital to do more loans.
2 Okay. I understand that very clearly. And I think that
3 the question for the Board is if, in fact, we want to have
4 an opportunity to create more loans, you know, now we're
5 going to have an influx of 20-something-million-dollars,
6 far more than we have ever been able to lend. In one year
7 the most has been 11 or almost 12 million.

8 LOAN PROGRAM SUPERVISOR LA TANNER: We count the
9 applications at that point. Ten million was the goal, and
10 we went over by one.

11 COMMITTEE MEMBER MARIN: So, for me, the question
12 is very fundamental. You know, if we do this, we're going
13 to have a lot more capital to be able to lend more money
14 to far more businesses, which in turn the following year
15 if we were to go through a bulk sale every year, as
16 potentially could be the case, we would have a lot of
17 money. We would be able to have far many more businesses
18 apply for these loans. And, for me, it's like, what is it
19 that we really, really want to do? For me, it's a much
20 bigger question than this particular sale. And I don't
21 know -- I think that this -- Mr. Chairman, this is
22 something that we really need to consult with the entire
23 Board.

24 CHAIRPERSON PAPARIAN: Okay. Let me ask -- I
25 think I see where you're going with that. But let me

1 ask -- I did have a couple more questions, too, which
2 follow on.

3 One of the questions that I had, and this relates
4 to what Board Member Marin was saying is, if we get a lot
5 more money available, do we have the capacity to put that
6 much money on the street that quickly? In the past, our
7 capacity has been somewhat less. Even with the \$10
8 million limit, we rarely come close to the \$10 million
9 dollars. If we were to sell the loan package and get this
10 amount of money, would we really be able to put 10 million
11 on the street for the next few years?

12 COMMITTEE MEMBER MARIN: Or 20.

13 DEPUTY DIRECTOR WOHL: Well, you know, I think
14 the ZAs would say they've never been able to fully market
15 the program because they didn't have that assurance that
16 there was that amount of money. If Steve Lautze were
17 here, and he would be thrilled I'm telling you this, is
18 that he would say they could get it out.

19 Our issue would be the number of staff we have to
20 process loans. We do have a limitation on that. Now,
21 whether there would be some shift in work if we weren't
22 doing some of the maintenance side because we've given
23 that up, you know, I'd have to ask Jim and we could look
24 into that. But that would be maybe our only cap is that
25 we just have four loan officers that would process this

1 work.

2 CHAIRPERSON PAPARIAN: Okay. And then -- I'm
3 sorry. Did you have a follow up on that one? Go ahead.

4 COMMITTEE MEMBER MULÉ: Thank you, Mr. Chair.

5 That's why I was going through the questions that
6 I was going through.

7 And thank you, Board Member Marin, for
8 articulating it much better than I did.

9 But my point is what -- this is a bigger question
10 that I think the Board really needs to really examine and
11 really go to talk about our budget and how we fund these
12 things and what guarantees do we have for future funding.

13 And so with that, you know, I just think that we
14 need to follow up in that direction, as opposed to just
15 going day to day. I mean, again, the highest amount that
16 we funded was \$11 1/2 million. And, again, what guarantee
17 do we have that we're going -- we're going to get the
18 money out. Well, are we getting the money out because
19 it's there, because it's available? We have to take a
20 step back, I think, and look at this whole program and how
21 we're going to move forward in the future and on a long
22 term basis.

23 Thank you, Mr. Chair. Appreciate that.

24 CHAIRPERSON PAPARIAN: A couple more questions.

25 Scott Smithline brought up the point that it

1 seemed like there was a shift in staff position, that
2 initially when this went out, staff seemed to be
3 supportive of the loan sale and now is less comfortable
4 with the loan sale. Do you want to explain kind of the
5 evolution in that thinking?

6 DEPUTY DIRECTOR WOHL: I think Jim, who's
7 probably the most knowledgeable and the banker amongst us,
8 said it's going to cost us to sell these loans, you know.
9 So I think he was always saying, you know, it's going to
10 cost us, and how much, he wasn't sure. And that was
11 always his concern. That if it's going to take a hit to
12 the loan program, he thinks it's better sustained by not
13 taking that hit.

14 I think, you know, for myself, I wanted to see
15 the numbers. I wanted to see what the bid came in at. I
16 knew we had some rates that were, you know, at 5 percent
17 and higher, and we had some at 1.9. I wanted to see how
18 that bid came in and how those numbers looked. So I think
19 when we finally, the three of us, got together along with
20 Legal and Admin, I think it was the actual numbers that
21 swayed us when we went and looked at that seven-year
22 projection.

23 And, you know, probably the difference in ours
24 and their projection is they have no expenses in their
25 projection. You know, we have a whole host of expenses

1 that come out of this, you know, to put on this whole
2 program. And that's where our numbers, his 43 million
3 that Jim quotes and the 46, wherein the seven-year period
4 we think we're going to have 3 million less to get out.
5 Now, over the long run, that evens out and becomes better.
6 But right now the sunset date is seven years out. So I
7 think we were just compelled by the numbers to change our
8 mind.

9 CHAIRPERSON PAPARIAN: Okay. And then I had also
10 one more sort of technical question about the bids. As I
11 look at them, there's a -- they look at the value of the
12 portfolio. They discount it. And then they include a
13 loan loss reserve, whatever you would call that, that
14 would come to us in, you know, 10 or 15 years, depending
15 on the amount of loan losses there is in that time period.

16 If we sold the loans, would our exposure for
17 defaulting loans be just that amount? In other words,
18 once we get the large amount in the door, would we -- and
19 then we have the potential of getting a little bit more
20 they're holding for possible loan losses, is that the
21 limit of our exposure for loan losses, is that amount?
22 You're nodding yes.

23 LOAN PROGRAM SUPERVISOR LA TANNER: That's
24 correct. Our losses would be capped at that.

25 CHAIRPERSON PAPARIAN: Board Member -- go ahead.

1 COMMITTEE MEMBER MARIN: I have a question,
2 Mr. Chair, because we wouldn't make as much money. As
3 Patty says, we wouldn't make any money or it would cost us
4 to sell the loans. That's, yes, in the sense that when
5 people would pay back if we sell it today, they're not
6 going to be paying the 2 percent interest that we would
7 have, you know, or 4 percent interest. How much are we
8 charging them?

9 DEPUTY DIRECTOR WOHL: 4.25 now. These loans run
10 the gamut, because they've been issued over the last ten
11 years. Some are as high as 5.8, 6, and some as low as
12 1.9.

13 COMMITTEE MEMBER MARIN: But by selling them, we
14 don't have the risk anymore. So it is that risk that is
15 costing us. We will no longer have that. We'll have net
16 amount now as opposed to what we would make seven years on
17 or three years or whatever. So that's the cost.

18 It's like you chose to refinance your home. It
19 costs us to refinance it. But then you get more money.
20 So in the sense, it's going to cost us. We're not going
21 to see that money. But that's only because they're
22 assuming the risk. So that's what we're paying for. And
23 I think it goes back to what is it that we want to do.

24 CHAIRPERSON PAPARIAN: I think -- Mr. Wayne, did
25 you want to --

1 MR. WAYNE: If I could, just more free consulting
2 advice, which is this. One part of this -- the reason, of
3 course, is that it's true that you're taking a discount
4 now because the rates are lower. But when you get that
5 money in -- and I think that you've hit the issue exactly
6 correctly, which is if you can reinvest it, you're
7 reinvesting it at a higher rate.

8 Simple math model. And it depends on whether you
9 can actually put out the money. But the simple model is,
10 if I have \$100 and I'm getting 4 percent interest on it --
11 \$100 loan, and I'm getting 4 percent interest on it. I
12 have to sell it to you for \$95. That's bad. I lost \$5.
13 But if I can take that \$95 and reinvest it at 6 percent,
14 at the end of the period, then you wind up more or less
15 the same.

16 The markets are very efficient. This business
17 about taking a discount on the interest rate is simply a
18 fact that because can you reinvest it at a higher rate.
19 And, of course, that only worked in my model if you can
20 actually put out the money. If you can put out the money
21 as has been suggested at a higher interest rate, at the
22 end of the day when you take your cash register and you
23 open it up, all the cash more or less would be the same.
24 You took a current hit now to get more cash, which you're
25 going to reinvest it a higher rate.

1 Just as long as I have this, I think it's
2 important for the Board to know while we're a
3 Massachusetts bank -- I didn't say this in my comments and
4 I wanted to. We have 31 percent of our portfolio in
5 California. So we are very active investors in loans in
6 California. It's a very large number. We're out here a
7 lot. And so we know this state as well. But I did want
8 to make that economic point about reinvesting at a higher
9 rate.

10 Thank you, sir.

11 CHAIRPERSON PAPARIAN: Thank you.

12 LOAN PROGRAM SUPERVISOR LA TANNER: I'd like to
13 add one more comment. The loan default reserve that's out
14 there in the years, it's a reserve amount. It would only
15 be reduced if there is a loan actual cash default.
16 Otherwise, the balance remaining will come back to the
17 Board.

18 CHAIRPERSON PAPARIAN: Right. I understood that.
19 Thank you.

20 Board Member Marin, you were suggesting -- I'll
21 let you characterize what you were suggesting, how we
22 would like to proceed.

23 COMMITTEE MEMBER MARIN: Well, I certainly would
24 go to the Board itself without a recommendation, because I
25 think that this goes -- because I'm not even looking at

1 this particular issue before us, and maybe I should be.
2 But it's putting the cart before the horse. I think that
3 if we make a very conscious decision that what we want to
4 do is expand this program and create more opportunities
5 for loans and all of that, then the answer is going to be
6 do the loan sale. If they say, you know what? It's bad
7 enough with what we have. We can barely manage 10 million
8 or 12 million right now, we don't have the capacity. We
9 can't do this. Then as great of a commitment that we have
10 to this program, we may not have the staffing here or
11 whatever -- I don't know -- then that answers the
12 question. There's no need to do the sale. But it's very
13 fundamental, for me. Maybe it's not.

14 CHAIRPERSON PAPARIAN: Okay. So I'm hearing two
15 issues. We have the narrow issue of what do we do with
16 this item at this point in time. And what I hear you
17 suggesting is putting it forward to the full Board for
18 more discussion so we can have some more time to review
19 this and what we've heard over the next week.

20 And, secondly, the issue of the broader RMDZ
21 program, what we want to do with it, and where do we want
22 to go with it. And that's why we're suggesting in maybe
23 two, three, four months that we have a really in-depth
24 workshop on the RMDZ program overall and how it all fits
25 together. So, hopefully, that will satisfy -- if we need

1 to move that up, we could try to move that up, too.

2 But in terms of the item today, what I hear you
3 suggesting is to let us continue to review what we've
4 heard over the next week, come back to the full Board
5 meeting which is on Wednesday, I believe, October 13th,
6 and then make the decision. And as I'm hearing the Board
7 members speak, I think the decisions before us run the
8 gamut from no loan sale at this time, to loan sale at this
9 time, to something in between, which I think I heard you
10 possibly suggesting which is maybe a deferment of the
11 decision until we get a broader. So it seems like there
12 might be three options essentially that the Board might
13 pursue at that time.

14 DEPUTY DIRECTOR WOHL: Can we maybe ask the
15 bidders their take on that? We sort of felt like going
16 beyond October, you know -- the Board meeting would be
17 fine, but going beyond that would potentially cause some
18 problems if the bond rate is changing and things like
19 that, that their bid would change and whether they'd be
20 willing to bid again and all of that.

21 CHAIRPERSON PAPARIAN: I think we heard that the
22 fluctuations in overall interest rates, if the interest
23 rates go up, the value of the loan portfolio goes down. I
24 think we all understood that. But -- come on. I'm
25 letting this go on a little bit more than normal agenda

1 items, but I think this is a very important one.

2 MR. LAZARES: I'm going make a very brief point,
3 which is that as far as Capital Crossing Bank is
4 concerned, our offer stands certainly through the October
5 meeting. You know, our funding is portfolio funding, so
6 we're not reliant upon the outside capital markets. As I
7 understand it, CRF is doing this as a structured financed
8 transaction, more of a financing of the deal of your loans
9 than it is otherwise. So I won't speak for them, because
10 their situation may be different. However, as far as
11 we're concerned, that's fine.

12 I would make another point. Obviously, if it
13 goes on and on and on, then that's a different deal,
14 because interest rates seem to be rising fairly rapidly
15 these days.

16 But I would make one additional point, which is I
17 do think if this Board considers that in the future that
18 you would consider making bulk sales, it's not an enormous
19 market. This is not like the mortgage market. This small
20 commercial loan market, whole loan market is not nearly as
21 liquid as your home mortgage loan is. There are 10 or 20
22 bidders in these actions across the country that we come
23 across and we talk to over and over again. You didn't get
24 that many interested in this portfolio for whatever
25 reason, I'm not sure.

1 I can tell you that people do not bid actively if
2 they don't think there's going to be a trade. And so I do
3 think it's important to look at this as a model for what
4 you intend to do in the future. If you go forward with
5 it, you will have more bidders in the next time for sure,
6 probably get better pricing. If you don't go through with
7 it, don't plan to go back to the market for a while.

8 COMMITTEE MEMBER MARIN: Mr. Chair, the last time
9 that we had the loan sale, how long ago was that, and how
10 many bidders did we get?

11 LOAN PROGRAM SUPERVISOR LA TANNER: That was in
12 1996. I wasn't here at that time. I believe there were
13 eight bidders at that time. It was more widely
14 advertised.

15 MR. LAZARES: There were like two active ones,
16 initially. That second one dropped out. And it was just
17 CRF.

18 CHAIRPERSON PAPARIAN: Okay. So we'll move this
19 to the full Board without a recommendation. But I think
20 certainly all of us here are going to be digesting what
21 we've heard and reviewing this some more. And we'll
22 suggest other Board members may want to do the same in
23 preparation for the meeting next Wednesday.

24 Anything else on this item?

25 I think we'll take our break at this point and

1 come back precisely at 11:00 by that clock.

2 (Thereupon a recess was taken.)

3 CHAIRPERSON PAPARIAN: We're going to go ahead
4 and start again.

5 Ex partes, members.

6 Board Member Mulé.

7 COMMITTEE MEMBER MULÉ: Thank you, Mr. Chair.

8 I just spoke with folks from Capital Crossing
9 Bank and Community Reinvestment Fund. And I did speak
10 with Evan Edgar regarding diversion programs.

11 CHAIRPERSON PAPARIAN: I think all three of us,
12 if I noted, spoke to the Capital Crossing Bank
13 representatives, Mr. Wayne, Mr. Lazares; and Mr. Holmquist
14 from Community Reinvestment Fund.

15 And then I was also handed a copy of a letter
16 that was delivered yesterday from Jeanne Lear of the South
17 Tahoe Refuse Company regarding item that's coming up in a
18 few minutes.

19 Do you have any other --

20 COMMITTEE MEMBER MARIN: Except for the ones that
21 you mentioned already, Mr. Chair. And Evan Edgar, just to
22 let him know we're preparing a visit to his neck of the
23 woods.

24 CHAIRPERSON PAPARIAN: Evan's kind of the whole
25 state, so that's a pretty big neck of the woods.

1 COMMITTEE MEMBER MARIN: Every single one of
2 them, all.

3 CHAIRPERSON PAPARIAN: Okay. I think,
4 Mr. Schiavo, you're on.

5 DEPUTY DIRECTOR SCHIAVO: All right. Pat
6 Schiavo, Diversion, Planning and Local Assistance
7 Division.

8 Just to give you a couple brief updates, on
9 September 27th we conducted our first workshop to look at
10 how to improve the adjustment methodology. A lot of the
11 discussion focused on construction and demolition and how
12 to account for that, because right now it's undercounted
13 under the existing system. And then also reflecting on
14 how the original system was built and how it's been used
15 over the last decade. And one other key thing is the
16 group is also looking at alternatives to the CPI index,
17 and one of those alternatives is using the taxable sales
18 deflator index, and I won't go into the details of that.
19 But trust me, they have their hands wrapped around that.

20 The next item I'd like to update on is staff of
21 Market, Permits, and DPLA are working jointly to put
22 together a survey looking at the top five barriers to C&D
23 diversion. The survey was completed, online survey, and
24 it's been sent out to interested parties which include C&D
25 recyclers, local jurisdiction representatives, landfill

1 operators, as well as transfer station operators and other
2 interested parties. We expect results back by October
3 15th. We want to take the results of the survey to the
4 Board in November. So those are just a couple.

5 COMMITTEE MEMBER MULÉ: Excuse me, Mr. Schiavo.
6 Is that available online?

7 DEPUTY DIRECTOR SCHIAVO: That's available
8 online.

9 COMMITTEE MEMBER MULÉ: Thank you.

10 DEPUTY DIRECTOR SCHIAVO: This afternoon we're
11 going to be conducting a workshop looking at alternatives
12 to the AB 939 system, and that meeting will be conducted
13 starting at 1:30 and we'll complete it by 4:00. It's the
14 first of several workshops planned throughout the state.
15 The next series of workshops will be November 30th or
16 December 2nd in Southern California. And then one of
17 those dates and possibly December 3rd, which is a Friday.
18 We want to avoid the Friday travel purposes for invitees.
19 But we'll work on the location and get you that
20 information.

21 Okay. I'd like to start out with Item F in your
22 binder or Board Item 16. And Maria Kakutani will present
23 this item. And this is Consideration of the Adequacy of
24 the Amended Nondisposal Facility Element for the
25 Unincorporated Area of Orange County.

1 MS. KAKUTANI: Good morning, Chairman and
2 Committee members. The County of Orange --

3 CHAIRPERSON PAPARIAN: Is your microphone on?

4 MS. KAKUTANI: The County of Orange is amending
5 its nondisposal facility element by identifying and
6 describing an expansion in an existing facility, namely,
7 the La Pata Recycling and Transfer Facility.

8 The Permits and Enforcement Division will be
9 presenting an agenda item for the proposed permit for the
10 permanent facility in the future.

11 The city has submitted all the required
12 documentation for this facility, and, therefore, staff
13 recommends approval of this amendment to the County of
14 Orange's NDFE.

15 This concludes my presentation.

16 CHAIRPERSON PAPARIAN: Thank you.

17 Any questions?

18 Board Member Mulé.

19 COMMITTEE MEMBER MULÉ: None, thank you.

20 CHAIRPERSON PAPARIAN: Go ahead and --

21 COMMITTEE MEMBER MULÉ: I would like to move
22 Resolution 2004-264, Consideration of the Adequacy of the
23 Amended Nondisposal Facility Element for the
24 Unincorporated Area of Orange County.

25 COMMITTEE MEMBER MARIN: I'll second that,

1 Mr. Chair.

2 CHAIRPERSON PAPARIAN: It's been moved and
3 seconded.

4 Secretary, call the roll.

5 SECRETARY KUMPULAINIEN: Marin?

6 COMMITTEE MEMBER MARIN: Aye.

7 SECRETARY KUMPULAINIEN: Mulé?

8 COMMITTEE MEMBER MULÉ: Aye.

9 SECRETARY KUMPULAINIEN: Paparian?

10 CHAIRPERSON PAPARIAN: Aye.

11 And this will be a candidate for consent.

12 DEPUTY DIRECTOR SCHIAVO: Committee Item G has
13 been pulled and possibly place that back on the agenda in
14 November.

15 Item 18 or H in your Committee binder is
16 Consideration of the Adequacy of the Five-Year Review
17 Report for the County Integrated Waste Management Plan for
18 the County of Stanislaus. And Yasmin Satter will present
19 this item.

20 MS. SATTER: Good morning, Chairman and Committee
21 members.

22 Each county is required to review and, if
23 necessary, revise its Countywide Integrated Waste
24 Management Plan every five years. Stanislaus County has
25 submitted its Five-Year review of the Countywide

1 Integrated Waste Management Plan. The county determined
2 that a revision of the county's plan was not necessary at
3 this time.

4 Board staff has evaluated the county's report and
5 determined that all of the required elements have been
6 addressed. Therefore, it is staff's recommendation that
7 the Board approve the county's assessment that no revision
8 is necessary. A representative from the county is present
9 to answer any questions you may have.

10 This concludes my presentation.

11 CHAIRPERSON PAPARIAN: I do have a speaker slip
12 from Georgianna McDonald who says she's here to -- you can
13 step forward if you want. She's here to make sure that
14 the Five-Year plan is the amended version, that the
15 corrected map is the proper one.

16 MS. McDONALD: Good morning. I'm Georgianna
17 McDonald, and I represent a group of people from
18 Stanislaus County who just sort of work on different
19 projects within the county to see that things are
20 occurring or reading through things and figuring out
21 whoops, wait a minute, I'm not quite sure what that means.

22 So in going through this Five-Year plan, at one
23 point there were some maps in there that were not
24 concurrent to the map that should be submitted.
25 Consequently, in your addendum at the very last section,

1 Addendum I, there is a map that is in. It's like the
2 eighth page from the back. And I just want to make sure
3 that this map is the map that you all have, instead of
4 other maps that had been floating around. It's like the
5 eighth page from the end.

6 BRANCH MANAGER MORGAN: If I may, Chairman --
7 Cara Morgan, Office of Local Assistance.

8 In your packets, we did not copy the full report
9 to save paper. We typically just do the executive
10 summary. I would like to confirm that that is the map
11 that we have, and that will be document that is filed with
12 the Office of Local Assistance.

13 MS. McDONALD: Thank you. And I appreciate that.

14 And the other part of going along with that is
15 the language that is written prior to that map, it does
16 mention map 6-4 that is included, you know, way back, way
17 back. And 6-4 is an incorrect map. So that's not the one
18 that I want to be used. And it does refer in this
19 addendum, you know, as an addition to it. It refers to
20 6-4. And 6-4 includes lands that should not be -- which
21 are not on this one, and this is a correct map that's
22 here.

23 CHAIRPERSON PAPARIAN: Why don't we do this. I
24 know there is a representative of the county here. Maybe
25 if one of the representatives of the county can confirm

1 for us what is their belief about which map it is that
2 we're talking about that is intended to be filed. And we
3 can get that on the record and for you hopefully that
4 will --

5 MS. McDONALD: Right. I've dealt with the county
6 before, and they assured us this would be the only map
7 that is in there. And so this is the addendum that I
8 picked up last week, the whole entire thing. And the
9 other things are prior to the addendum. So my concern is
10 that they're not referring to anything prior to the
11 addendum, but you will use the one that is in the
12 addendum. And all the other language rewrites and things
13 that are in the addendum are fine.

14 CHAIRPERSON PAPARIAN: Okay. Let me ask if one
15 of the county representatives would step forward and tell
16 us if --

17 MS. McDONALD: Bryan has the same map.

18 CHAIRPERSON PAPARIAN: Why don't we let Bryan --

19 MR. KUMMIMOTO: Bryan Kummimoto, Stanislaus
20 County Environmental Resources.

21 And I just want to assure Georgianna that this
22 map is the one and only map. That is the one that we have
23 brought before and submitted to the Waste Board.

24 MS. McDONALD: And this one is in here twice.

25 MR. KUMMIMOTO: Some of the older maps that were

1 in there were requirements of what we had to put in there
2 in response to a minority report. And those were
3 attachments to correspondents.

4 CHAIRPERSON PAPARIAN: So the map that
5 Ms. McDonald is desiring be the map, you're verifying that
6 it is the one and only map for this purpose?

7 MR. KUMMIMOTO: That's correct.

8 MS. McDONALD: And my group of citizens
9 appreciate your accepting this and everything else.

10 CHAIRPERSON PAPARIAN: Thank you. And thank you
11 for coming.

12 Okay. With that, do we have a motion?

13 COMMITTEE MEMBER MARIN: I'll make the motion for
14 Resolution 2004-266 with the caveat that, Mr. Chair, that
15 the map is the correct map.

16 CHAIRPERSON PAPARIAN: All right.

17 COMMITTEE MEMBER MULÉ: And I second that.

18 CHAIRPERSON PAPARIAN: All right. We have a
19 motion and a second. We can substitute the previous roll
20 call, and this can go on consent.

21 DEPUTY DIRECTOR SCHIAVO: Steve Sorelle will
22 present Committee Item I, which is Consideration of the
23 2001-2002 Biennial Review Findings for the Lassen County
24 Lassen Regional Solid Waste Management Authority.

25 SUPERVISOR SORELLE: Good morning, Chair and

1 Committee members.

2 Staff conducted a biennial review for the Lassen
3 Regional Solid Waste Management Authority. Findings have
4 determined that the agency has achieved a 2002 diversion
5 rate of 50 percent and is adequately implementing its
6 source reduction, recycling, composting, public education
7 and information programs as outlined in their source
8 reduction and recycling element and household hazardous
9 waste element. The Authority is claiming 10 percent
10 diversion from biomass. Attachment 2 indicates the
11 tonnage of biomass claimed and resulting diversion
12 percentage.

13 This concludes my presentation, if you have any
14 questions. Thank you.

15 CHAIRPERSON PAPARIAN: Any questions?

16 Is there a motion?

17 COMMITTEE MEMBER MULÉ: I can move Resolution
18 2004-267, Consideration of the 2001-2002 Biennial Review
19 Findings for Lassen County.

20 CHAIRPERSON PAPARIAN: And then the revised
21 motion that's in our binder. And Board Member Mulé moves,
22 Board Member Marin seconds.

23 COMMITTEE MEMBER MARIN: And there is no map on
24 this one, Mr. Chair.

25 CHAIRPERSON PAPARIAN: We can substitute the

1 previous roll call. Substitute the previous roll call and
2 put this on consent.

3 DEPUTY DIRECTOR SCHIAVO: Committee Item J is
4 Consideration of the 2001-02 Review Findings for the
5 Tehama County Sanitary Landfill Regional Agency. And Jill
6 Simmons will present this item.

7 MS. SIMMONS: Good morning, Chairman and
8 Committee members.

9 The Tehama County Sanitary Landfill Regional
10 Agency had previously been granted an SB 1066 time
11 extension with the completion date of August 31st, 2002.

12 In early 2003, Board staff conducted a site visit
13 to assess program completeness of the program specified in
14 the agency's Plan of Correction. The Plan of Correction
15 included two new diversion programs: The materials
16 recovery facility and an adjacent composting facility.

17 The fully implemented materials recovery facility
18 targets materials from both the residential and commercial
19 waste sectors. The MRF sorts materials for recycling from
20 commercial self-haul loads, hauler commercial waste,
21 residential curbside, and residential self-haul loads.

22 Due to revised waste discharge requirements from
23 the Water Board, the compost facility has been prevented
24 from opening until resolution of the Water Board facility
25 permit. Since the Water Board has yet to provide the

1 revised requirements, it is difficult to speculate when
2 the composting facility will be able to open. Once the
3 facility is up and running, it will process green waste
4 collected throughout the county. At this time, yard waste
5 and wood waste are being diverted to a biomass facility in
6 Shasta County.

7 While the 2001 and 2002 diversion rates remain
8 below the 50 percent diversion requirement of 47 and 45
9 percent respectively, Board staff, in conducting their
10 biennial review, has determined that the agency has made a
11 good faith effort. Therefore, staff recommends the Board
12 find that the agency has adequately implemented household
13 hazardous waste element, has made a good faith effort to
14 implement its SREE to meet the diversion requirements, and
15 has fulfilled the requirements for its time extension.

16 This concludes my presentation. A representative
17 from the agency, Alan Abbs, is present to answer any
18 questions if you have any.

19 CHAIRPERSON PAPARIAN: Any questions?

20 Mr. Abbs, thank you for being here. Did you want
21 to say anything?

22 MR. ABBS: I just came to support staff's
23 recommendation and answer any questions people may have.
24 So unless there are any, I don't need to stand up.

25 CHAIRPERSON PAPARIAN: Okay. I know you're one

1 of the busiest guys in the rural counties with all the
2 responsibilities you have. You've been doing a good job.

3 Okay. Is there a motion?

4 COMMITTEE MEMBER MULÉ: I can move Resolution
5 2004-268.

6 COMMITTEE MEMBER MARIN: Second that.

7 CHAIRPERSON PAPARIAN: It's been moved and
8 seconded.

9 We can substitute the previous roll call and put
10 this one on consent.

11 I'm told that the interference that we're getting
12 may be related to people's cell phones being on.

13 COMMITTEE MEMBER MARIN: I didn't even bring one,
14 Mr. Chair. I did not bring any cell phones, nothing.

15 CHAIRPERSON PAPARIAN: So despite my
16 encouragement to keep your cell phones on earlier, I think
17 if we turn our cell phones off, if you have one, we'll see
18 if that makes a difference with the interference.

19 Okay. Next item.

20 DEPUTY DIRECTOR SCHIAVO: Okay. Committee Item K
21 will be presented by Kyle Pogue, doing double duty today.
22 And this is Consideration of a Request to Change the Base
23 Year to 2000 for the Previously-Approved Source Reduction
24 Recycling Element for the City of Sacramento in Sacramento
25 County.

1 MR. POGUE: Good morning, Committee members. For
2 the record, I won't speak about maps or interest rates.

3 The City of Sacramento has submitted a request to
4 change its base year from 1990 to 2000. The city
5 originally submitted a new base year change request with a
6 diversion rate of 56 percent for 2000. As a result of the
7 base year study review, deductions were made to diversion
8 amounts claimed by the city. These adjustments can be
9 viewed in detail by referring to Attachment 3 of the
10 agenda item packet.

11 With these changes, the City of Sacramento's
12 diversion rate for 2000 is 55 percent. No extrapolation
13 was used to calculate diversion amounts. This request is
14 well documented and is generally consistent with Board
15 standards for accuracy. Therefore, staff recommends the
16 Board approve the request to change the base year for the
17 city of Sacramento to the year 2000.

18 Representatives are available, if you have any
19 questions from the city, and I am as well. Thank you.

20 CHAIRPERSON PAPARIAN: Any questions?

21 COMMITTEE MEMBER MARIN: Actually, I'd just like
22 to say that it's wonderful, Mr. Chair, that we're helping
23 them get to higher levels thanks to our great staff member
24 here, Kyle. Therefore, since he's done such a great job,
25 Mr. Chair, I will move Resolution Item Number 2004-269.

1 COMMITTEE MEMBER MULÉ: Second.

2 CHAIRPERSON PAPARIAN: There is a motion and a
3 second.

4 We can substitute the previous roll call and put
5 this one on consent.

6 Next time you get the hazing.

7 DEPUTY DIRECTOR SCHIAVO: Committee Item L is
8 Discussion and Request for Direction Regarding Compliance
9 with Disposal Regarding Systems Site Surveys and the
10 Survey Record of the South Tahoe Refuse Transfer Station.
11 And Boons Baythavong will be presenting this item.

12 (Thereupon an overhead presentation was
13 presented as follows.)

14 MR. BAYTHAVONG: Good morning, Board members.
15 I'm Boons Baythavong with the Waste Analysis Branch.

16 And there's actually a revised version of the
17 presentation. We had one extra slide.

18 --o0o--

19 MR. BAYTHAVONG: Go ahead and start off with a
20 quick overview of the current disposal reporting system.
21 Haulers must report jurisdiction of origin on all loads
22 delivered to all Board-permitted facilities during
23 quarterly survey weeks. Facilities submit quarterly
24 summary reports to the host agency or county. Disposal
25 delivered to out-of-state landfills from transfer stations

1 must be reported to the host agency or county.

2 The host agency or county sends quarterly reports
3 to the Board and to all affected jurisdictions. And the
4 jurisdictions use the disposal data to calculate diversion
5 rates in their annual reports to the Board. Therefore,
6 collecting jurisdiction of origin information is important
7 for accurate diversion rate estimates. Also, the statute
8 that established this does not include enforcement
9 provisions for failure to submit accurate or timely DRS
10 information.

11 --o0o--

12 MR. BAYTHAVONG: Board staff conduct random
13 unannounced quarterly survey week site visits to permitted
14 transfer stations and landfills by posing as self-haul
15 customers. Staff verified whether jurisdiction or origin
16 is being asked, and if it's asked correctly, such as
17 "Where is the waste from," and not, "Where are you from?"
18 If the origin question is asked, Board staff verify
19 whether the correct jurisdiction is recorded on the
20 receipt. If the origin question is not asked, Board staff
21 ask to speak with the supervisor. And if a supervisor
22 isn't available, Board staff explains survey week to the
23 attendant and provides a letter be forwarded to the
24 supervisor.

25 Again, accurate diversion rate estimates rely on

1 correct origin information captured at disposal
2 facilities.

3 --o0o--

4 MR. BAYTHAVONG: Board staff have conducted
5 approximately 950 site visits during designated survey
6 week since March 2000. Site visits have been made to
7 approximately 250 permitted transfer stations and
8 landfills.

9 As you can see in the graph, the facility
10 compliance rates have increased over time when asking for
11 jurisdiction of origin information.

12 South Tahoe Transfer Station has been an
13 exception to increased compliance rate. No other facility
14 has consistently failed to ask waste origin questions as
15 often.

16 --o0o--

17 MR. BAYTHAVONG: Prior to June 2004, Board staff
18 conducted four survey week site visits to South Tahoe
19 Transfer Station, which is owned and operated by the South
20 Tahoe Refuse Company. No jurisdiction of origin questions
21 were asked at any of the four visits. Board staff sent
22 letters after each visit and contacted the transfer
23 station owner. The correspondence is listed in the agenda
24 item. Each letter received from the Transfer Station
25 indicated that they would ask origin questions during

1 survey week.

2 South Tahoe Transfer Station receives waste from
3 the City of South Lake Tahoe, regions of El Dorado
4 Unincorporated County, and areas in the state of Nevada.

5 There have also been concerns about the accuracy
6 of the jurisdiction or origins allocations for all waste
7 sent to South Tahoe Transfer Station, concerns with either
8 Nevada waste being allocated to California jurisdictions,
9 which makes it harder for them to meet their diversion
10 goals, or reduced tons from California jurisdictions and
11 more tons allocated to Nevada.

12 --o0o--

13 MR. BAYTHAVONG: Recently, Board staff revisited
14 South Tahoe Transfer Station on September 10th and 14th,
15 2004. At both visits, the attendants asked for
16 jurisdiction of origin information, and the correct
17 jurisdictions were entered into their tracking system.
18 Also, there is a survey week sign posted to inform
19 customers they would be asked about where their waste was
20 from.

21 --o0o--

22 MR. BAYTHAVONG: Since there are no statutory
23 enforcement provisions for DRS, the Board's SB 2202 report
24 to the Legislature included a recommendation that the
25 Board publicize noncompliance with DRS. To date, the

1 Board has heard one agenda item on DRS compliance.

2 In April 2003, the Board heard about inaccurate
3 and late disposal reports from Potrero Hills Landfill and
4 directed staff to continue working with Potrero Hills
5 Landfill to submit correct disposal reports for 2001 and
6 2002, notify potentially impacted jurisdictions when the
7 data was corrected, and develop web pages to publicize
8 lack of compliance with DRS requirements and include
9 Potrero Hills Landfill on the list. Since then, Board
10 staff have completed web pages to publicize lack of
11 compliance with DRS requirements, and snapshots of the web
12 pages are shown here. Staff is requesting Board direction
13 on future use of the compliance web pages.

14 --o0o--

15 MR. BAYTHAVONG: Options for the Board's
16 consideration are:

17 1. List South Tahoe Transfer Station on our DRS
18 enforcement web pages to publicize lack of compliance with
19 the DRS site survey requirements.

20 2. Have staff make additional survey week site
21 visits and report back to the Board.

22 3. Additional tasks as directed by the Board.

23 4. Have staff report to the Board when any
24 facility does not comply for three successive visits and
25 list them on the enforcement web pages after three

1 successive visits where the facility has complied, strike
2 through their name on the list, and remove their name from
3 the web page after the biennial cycle is over.

4 Board staff felt that the three successive visits
5 is a reasonable amount to focus on facilities that are not
6 complying with the DRS regulations and not punishing
7 facilities that occasionally forget to ask. Also, South
8 Tahoe Transfer Station is the only Board-permitted
9 facility with four successive noncompliance survey week
10 site visits.

11 --o0o--

12 MR. BAYTHAVONG: Board staff recommends Options 1
13 and 4.

14 This concludes my presentation. Are there any
15 questions?

16 CHAIRPERSON PAPARIAN: Any questions?

17 COMMITTEE MEMBER MARIN: Do we have anybody here?

18 CHAIRPERSON PAPARIAN: We do. Ms. Lear, I
19 believe, is here. Did you want to --

20 MS. LEAR: Certainly.

21 CHAIRPERSON PAPARIAN: When you come up, if you
22 could identify yourself for the record.

23 MS. LEAR: I don't know whether to have the
24 glasses on or off at this distance.

25 Jeanne Lear with South Tahoe Refuse.

1 We're here to say we get it. And not to make a
2 joke of it at all, but there were a number of steps that
3 we had to go through in order to get this part of our
4 survey process down. We got it down. We understand it.
5 And we appreciate the staff's time in helping us get
6 there.

7 COMMITTEE MEMBER MULÉ: Could you explain some of
8 the problems that you had and some of the steps you took
9 to correct them, specifically? Because I think this could
10 be a good lesson for a lot of folks that might be
11 having -- this is an issue that is pervasive throughout
12 the state. And that's why our numbers aren't always
13 accurate. So I'd appreciate if you could share that with
14 us.

15 MS. LEAR: You know, when the buck stops here --
16 that's why the general manager isn't here today. Because
17 this really is my responsibility. And I think when I stop
18 and step back and look at it from a broad perspective, I
19 don't think we provided our employees with enough
20 understanding of why, of how important it was, or how it
21 meshes together. We have our truck drivers filling out
22 forms with percentages and jurisdictions and stuff, too.
23 We did a better job of explaining to them why and then
24 telling them later what the results were. We just really
25 didn't take the time and focus with our cashiers that

1 well.

2 One of our cashiers was older and, in fact, he
3 gracefully retired. And he was at the first couple of
4 sites visits, at which point we tried to pick it up, bring
5 somebody new. We had scales freeze the morning of the
6 survey start. You know, sometimes -- it was kind of like
7 chasing gremlins in your computer. But the basic -- I
8 think the basic problem was we didn't provide enough
9 information to our own employees about what and why to do.
10 And we've done that now.

11 COMMITTEE MEMBER MULÉ: So, again, I'm just
12 trying to understand specifically what you did. So your
13 drivers -- you worked with your drivers as well as your
14 cashiers. Your drivers now fill out forms that have --
15 for example, I'm sure your drivers don't pick up in one
16 jurisdiction every day of the week. So you may have a
17 truck driver that has a load that's 40 percent from one
18 jurisdiction and 60 percent from another jurisdiction.
19 And, again, if you could just explain it so we have it on
20 the record, so people have an understanding of the steps
21 that you specifically took, how you did it.

22 MS. LEAR: In fact, I have some blank sheets. We
23 have a survey sheet and always have had for our trucks.
24 Our collection trucks and our roll off trucks each fill
25 out a form that's got the jurisdictions, the percentage,

1 the number of stops, the amount of time at a stop. It's
2 pretty extensive, and the weight and the volume. And we
3 don't have sales, so the volume has to be converted.

4 The supervisors take that material, those
5 numbers, rework the numbers, make sure they're right. We
6 put them in a spreadsheet. That spreadsheet eventually
7 produces the percentage. Part of that spreadsheet is the
8 self-haul, and that's taken off of a computer system now.
9 We implemented a computer system that shows the
10 jurisdiction as well as the volume and that type of thing
11 so that the cashiers can't put it into their computer
12 without the jurisdiction.

13 COMMITTEE MEMBER MULÉ: Okay. And I understand
14 that you do not have scales at the transfer station, and
15 that does present a problem because, as we all know, a
16 three-yarder from a restaurant is going to weigh a lot
17 more than a three-yarder from, say, you know, another type
18 of facility. So, again, if you could just explain for
19 everybody how you differentiate, you know --

20 MS. LEAR: Well, we do have our axle scales. So
21 the collection trucks and the roll-off trucks go over axle
22 scales with their loads during that week, which means they
23 circulate through the facility twice in order to get their
24 scale weight. But the self-haul doesn't. It would be
25 just be too much of a nightmare to send self-haul. So

1 self-haul is converted by a conversion factor.

2 COMMITTEE MEMBER MULÉ: What percentage is
3 self-haul?

4 MS. LEAR: It's a little under 10 percent.

5 COMMITTEE MEMBER MULÉ: Ten percent. So it's not
6 a significant portion. Okay. Thank you.

7 COMMITTEE MEMBER MARIN: Mr. Chair, I just want
8 to make sure you get it, you know, that we will have the
9 visits every now and then.

10 MS. LEAR: Absolutely. Absolutely. And, in
11 fact, they're welcomed. The staff that came up and we
12 were able to meet with the last time was really very
13 helpful in expanding our sign, doing a translation so that
14 all of our customers can understand it a little bit
15 better. That kind of interaction is really, really
16 helpful to the facility operators as well.

17 COMMITTEE MEMBER MARIN: Good. I would just add
18 that if you do your job, our job is made so much easier.
19 And the whole thing is we have this law, and we have to
20 comply with the law ourselves. So we need your help, and
21 if you can understand that. Otherwise, we're not doing
22 our job. But if staff feels confident that we have solved
23 this problem now, I don't necessarily -- I really no
24 longer think number one is necessary any more, unless
25 staff --

1 CHAIRPERSON PAPARIAN: Why don't we --

2 COMMITTEE MEMBER MARIN: I don't want this to be
3 punitive, especially when the acknowledgement is very,
4 very clear and assurances are there that they will from
5 now on do it.

6 CHAIRPERSON PAPARIAN: I think what's staff is
7 looking for is some direction on situations like this now
8 and in the future. And the question of listing now and
9 then removing or in the future listing a facility after
10 it's gone through several situations where the reporting
11 has been inaccurate. I would tend towards, you know,
12 going ahead with the staff recommendation and listing --
13 with the recognition that the facility will come off
14 fairly soon, you know, if they maintain their commitments.
15 And maybe that would be an incentive to maintain the
16 commitments that we've heard today.

17 MS. LEAR: Mr. Chairman, could I speak just
18 briefly to that?

19 CHAIRPERSON PAPARIAN: Yeah.

20 MS. LEAR: One thing that did cross my mind when
21 I was listening to the financing report here actually this
22 morning. We're in the process of looking at an expansion,
23 and we have a pre-approved California public financing
24 loan type thing. A noncompliance order would impact our
25 financing application. But the way -- I'm not really

1 clear what type -- I think lack of compliance is
2 absolutely clear and absolutely true. And we were lacking
3 compliance with the disposal reporting. I just don't know
4 if it would mean that that's the status of a noncompliance
5 order. And I hate to be --

6 CHAIRPERSON PAPARIAN: Right. I don't believe --
7 and our attorneys can help us with this. I don't believe
8 it would rise to the status of an order that I know other
9 agencies look to. I think what we're looking -- well, go
10 ahead, Mr. Block.

11 STAFF COUNSEL BLOCK: The short answer is no, I
12 don't believe it would.

13 (Laughter)

14 STAFF COUNSEL BLOCK: We've got a lack of chairs
15 here.

16 It's not a compliance order. One of the reasons
17 this is coming forward to you in the way that it is and as
18 a request for direction is this is a much more informal
19 way of providing some notice and publicity about the fact
20 that there has been an issue, given the fact that we don't
21 have enforcement authority for the DRS program.

22 Now, if there is -- I'll certainly make myself
23 available to talk to whether it's your attorneys or
24 somebody that is working on that for you. If there's a
25 particular potential issue in how we phrase what we put on

1 the web, because again, it is informal. We've got some
2 latitude for exactly how we do that. The Board is not
3 approving an order, if you will. There's no fine involved
4 with this and the like.

5 CHAIRPERSON PAPARIAN: Board Member Marin.

6 COMMITTEE MEMBER MARIN: Mr. Chair, I have a
7 heart. I'm softy on this one, Mr. Chair. And let me tell
8 you why. What we really seek is compliance. What we
9 really -- everything we're aiming to is to get people to
10 comply. I know it took a long time. By some standards it
11 took a long time. And we can be punishing in that regard,
12 but then the incentive will be then taken away.

13 They've already done what we had asked them to
14 do. And to list them and maybe -- Mr. Chair, maybe what
15 we need to do is a couple of times, and then they come to
16 the Board. You know, they're doing that before they go on
17 the web page. If they refuse, then we give them notice,
18 you're going in and we're going -- and if they do it, then
19 we got them to comply, which is what we really want. So,
20 Mr. Chair, I would indulge your generosity and your heart
21 for this one. For this one, Mr. Chair.

22 CHAIRPERSON PAPARIAN: Okay. I'm getting a sense
23 from the Committee members that they -- the pressure is
24 on. I get a sense from the Committee members they would
25 just as soon in this situation given the situations and

1 commitments they've heard from the operator they would not
2 like to go forward with the Option 1.

3 The staff had two -- just bear with me for a
4 minute. The staff had two recommendations. One was
5 specific to this facility. One was more general direction
6 for the future. And the more general direction was to
7 have staff report to the Board when the facilities don't
8 comply with three successive visits and list them on the
9 enforcement web page and then remove them after the
10 biennial cycle is over. Are we comfortable with that
11 direction? I'm getting a nodding of yes with that
12 direction.

13 So not to list on this specific facility, given
14 the circumstances that we've heard, but to go ahead with
15 the general direction you have in your Option 4. Is that
16 clear enough?

17 Okay. Thank you. And thank you for coming.

18 And then unrelated to the substance of this item,
19 I can't resist mentioning this. I always do it at every
20 opportunity. And that is that the waste from this
21 facility I know goes to Nevada after it leaves the
22 facility. Therefore, there's no tipping fee paid on that
23 waste. Therefore, for all the staff time and effort that
24 we're spending on this facility, we're not -- and this is
25 not the fault of the facility at all. It's just how the

1 tipping fee works. We're not getting reimbursed in our
2 Integrated Waste Management Account for our regulation of
3 this facility. So hopefully one of these days we'll
4 correct that loophole in the law.

5 The next item is somewhat related to the
6 afternoon session.

7 DEPUTY DIRECTOR SCHIAVO: And I apologize, but
8 the item was put into BAWDS, but it was put into BAWDS in
9 the wrong place, and we discovered that this morning. So
10 we have copies made for you. And there's copies in the
11 back of the room. And it's been put in the right place.
12 And there is a Power Point presentation you have copies of
13 that.

14 CHAIRPERSON PAPARIAN: What I'm wondering is,
15 would this -- there is a relationship between this and the
16 afternoon session. Are there people coming to the
17 afternoon session who aren't necessarily in the room right
18 now?

19 DEPUTY DIRECTOR SCHIAVO: I'm sure there are.

20 CHAIRPERSON PAPARIAN: Or is there anybody in the
21 room right now who wants to see this who isn't planning to
22 come to the afternoon session?

23 DEPUTY DIRECTOR SCHIAVO: We have time
24 constraints either way. We have a time constraint in the
25 afternoon, because that's two-and-a-half hours to get a

1 lot done. We have a time constraint now. It's your
2 pleasure.

3 CHAIRPERSON PAPARIAN: Can you fairly quickly go
4 through this now? And there will be -- people this
5 afternoon to have an opportunity to look at this as well.
6 The concern I have is if we go too long and then take our
7 lunch break, you may have to start that afternoon session
8 late, and I don't want you to have to do that. If you
9 could aim for 10 minutes or 15 minutes. Ten minutes.

10 DEPUTY DIRECTOR SCHIAVO: Okay. This is going to
11 be a joint presentation. We will do fast talking outline
12 version.

13 (Thereupon an overhead presentation was
14 presented as follows.)

15 DEPUTY DIRECTOR SCHIAVO: We're going to talk
16 about the historical perspectives, automated systems,
17 measurement accuracy, and the future.

18 --o0o--

19 DEPUTY DIRECTOR SCHIAVO: Primarily what guides
20 us is to maximize diversion. But within maximizing
21 diversion, there has to be a lot of other things that take
22 place. Those things include saving our customers time and
23 money, improving information deliver systems, enhancing
24 our tools and accuracy, focusing on the materials that
25 need to be focused on, and then leveraging all our

1 technologies to increase a larger number of customers.

2 --o0o--

3 DEPUTY DIRECTOR SCHIAVO: In the beginning, I
4 just want to mention that everything was done by hand
5 originally. It took forever to do. There was no easy way
6 for the public to share data or even get access to data
7 outside of coming here and just trying to shift through
8 files. We had no model annual report, so therefore, staff
9 took an awful long time to review. Bottom line is
10 jurisdictions spent a lot of time and money reporting to
11 the Board.

12 --o0o--

13 DEPUTY DIRECTOR SCHIAVO: Where we've taken this
14 is we've automated all of the processes. And what this
15 screen shows you is our newest additions. And it's C-EZ.
16 And what it does is jurisdictions literally -- if nothing
17 has changed from the prior year, they just literally push
18 a button, and the report is already completed for them.
19 If they still need to make modifications, they push the
20 button and make the modifications afterwards so they don't
21 have to reconstruct everything. So it really simplifies
22 their life.

23 --o0o--

24 DEPUTY DIRECTOR SCHIAVO: And the next slide is
25 the online diversion rate calculator. And essentially we

1 do the calculations for the jurisdictions based on the
2 base year data that we receive, the disposal reporting
3 information we receive from the counties, as well as the
4 adjustment factors that are published by state agencies.

5 --o0o--

6 DEPUTY DIRECTOR SCHIAVO: This slide shows that
7 in the year 2000 that about 70 percent of the people use
8 the adjustment factors. It's now up to just about 90
9 percent.

10 --o0o--

11 DEPUTY DIRECTOR SCHIAVO: And then the next slide
12 shows that disposal reporting information is about
13 90 percent also. This isn't a reflection of accuracy. It
14 is a reflection of people agreeing with the best estimates
15 that we could calculate for them. So, essentially,
16 90 percent of our customers out there are using
17 information from the default calculator. So that's huge.

18 --o0o--

19 DEPUTY DIRECTOR SCHIAVO: As far as the paper
20 versus electronic reporting, as I mentioned, everybody was
21 doing paper. Almost everybody. We've got to get to these
22 two or three people here that aren't doing paper right
23 now -- that are doing paper.

24 And the other thing I mention, if you look on the
25 far left for 1995, there's over 500 jurisdictions.

1 Actually, there's about 540 now. Now there are about 420,
2 and that's due to regional agency formations, which is a
3 positive thing. And, again, that creates efficiencies for
4 everybody.

5 --o0o--

6 DEPUTY DIRECTOR SCHIAVO: On the next slide,
7 state agencies as well have embraced the electronic
8 reporting. They have a system that mirrors the local
9 jurisdiction reporting system, and that's gone
10 exceptionally well. In fact, they have 100 percent
11 reporting, which is an improvement over the 99.5 percent
12 of locals.

13 --o0o--

14 DEPUTY DIRECTOR SCHIAVO: This next table shows
15 you the amount of time it's taken to process the annual
16 reports. In 1995 and '96, it took 27 months. And this
17 represents about 90 percent of the jurisdictions are
18 still -- 5 or 10 percent that take an inordinate amount of
19 time. What this essentially said is that the '95-'96
20 biennial review process wasn't completed until about the
21 end of 1999. So that means that really put jurisdictions
22 at a disadvantage knowing what their status was. In
23 1999-2000, we got that down to about twelve months. And,
24 finally, now it's down to about seven months to get to
25 that 90 percent level of review.

1 --o0o--

2 DEPUTY DIRECTOR SCHIAVO: This pie chart shows
3 you the 2001-2002 biennial review process and the results
4 of that. In prior years, we wouldn't have even show this
5 to you for about another 18 months. So we were able to
6 show this to you now.

7 That cell phone is driving us crazy.

8 So, essentially, over half the jurisdictions have
9 received -- or been approved by the Board being over 50
10 percent or received reduced goal. There's a number of
11 jurisdictions, over 25 percent, that are still SB 1066
12 time extensions or alternative diversion requirements.
13 And, again, we have about 10 percent now that are still
14 outstanding that I'll bring forward to you.

15 --o0o--

16 DEPUTY DIRECTOR SCHIAVO: What that has meant in
17 the program implementation development is that you look at
18 the table, almost everybody is uniformly implementing the
19 programs. That doesn't get into a qualitative discussion
20 of how well they're implementing, but it shows you
21 qualitatively that everybody is implementing some kind of
22 source reduction, composting, education, residential
23 recycling commercial program. Ordinances have shown a
24 steep rise. And we're expecting another steep increase
25 with our promotion of construction and demolition efforts.

1 --o0o--

2 DEPUTY DIRECTOR SCHIAVO: Lorraine is going to go
3 ahead and talk about improvement measurement accuracy.

4 BRANCH MANAGER VAN KEKERIX: The Board has
5 undertaken a wide variety of activities to improve
6 measurement accuracy over the years, starting with in 1992
7 we had a major shift in how we measure and we no longer
8 require jurisdictions to measure diversion every single
9 year. We have -- we started off with various working
10 groups which have been very successful in getting all our
11 stakeholder input. In 1997, the measurement accuracy
12 working group primarily focused on base year issues, and
13 that ultimately led to a diversion study guide working
14 group.

15 In 2001, the Legislature directed us to do a
16 review of measurement accuracy and for the Board to submit
17 a report to the Legislature. And as one of the things
18 that we did coming out of that, we are doing regulations
19 revisions which will be coming to the Board in November.
20 And we have our hearing on October 18th for our first
21 45-day comment period.

22 --o0o--

23 BRANCH MANAGER VAN KEKERIX: The next slide is
24 the same one that Boons just showed you. We've had a
25 great increase in terms of people asking us where the

1 waste is from when we've gone on our DRS unannounced site
2 visits. And that's improved accuracy.

3 --o0o--

4 BRANCH MANAGER VAN KEKERIX: The 2202 report to
5 the Legislature had several broad themes, which I think
6 it's very important to keep in mind as we look at
7 accuracy. There is a potential for error in all the
8 components of the diversion rate measurement system. You
9 can have errors in your base year. We can have errors in
10 disposal reporting. And there could be errors in our
11 adjustment method.

12 So what staff has said all along is that
13 diversion rates are estimates or indicators of progress,
14 and it's especially to use those in conjunction with what
15 programs have been implemented. We found through our
16 analysis that small jurisdictions are more likely to have
17 inaccurate diversion rates, and that the Board needs to
18 focus on diversion program implementation, given that
19 these are estimates and there is a possibility for error.

20 --o0o--

21 BRANCH MANAGER VAN KEKERIX: One of the things
22 that we are doing that we believe will increase the
23 accuracy of the system is disposal reporting system
24 regulation revisions. And as I said, those are coming up
25 for the Board. We're looking at weight scale requirements

1 for larger facilities with the possibility of requesting
2 an exemption if there are hardships or the site would not
3 accommodate a scale. Requirement to post signs that we're
4 conducting surveys of where waste is from, training
5 requirements. And the Board is working on some web-based
6 training that would be available to facility operators.
7 Increasing the origin survey requirements so that for
8 larger facilities, except in rural areas, they would
9 survey every load greater than one ton every day.
10 Clarifying roles and responsibilities regarding access to
11 records, and sending us information on what methods are
12 being used so that it cuts down on the time required to do
13 an audit.

14 --o0o--

15 --o0o--

16 BRANCH MANAGER MORGAN: Phil and I are going to
17 cover where we're going in the future. As you can see
18 from the '99 study, paper, organics, and C&D were the
19 major components of the waste stream.

20 --o0o--

21 BRANCH MANAGER MORGAN: We are really looking
22 forward to the upcoming waste characterization study. In
23 November, we'll have the results of the landfill survey.
24 So we'll actually get to see are those same material types
25 still the major components of the waste steam, or has that

1 changed. Do we have new materials, so we can better
2 target our technical assistance programs.

3 Also in June 2006, we will have data from our
4 generator studies. These focused studies will look at
5 specific generators, including food stores, large hotels,
6 large public venues, MRF residuals, C&D waste, and
7 commercial self-haul. This data will help us develop
8 outreach programs to target these big generators.

9 --o0o--

10 BRANCH MANAGER MORGAN: Another major initiative
11 for us is that we will be focusing technical assistance on
12 those jurisdictions that need our assistance the most. We
13 plan in December to host a large venue food scrap
14 diversion workshop where we'll be highlighting SBC
15 Ballpark, Indian Wells Tennis Gardens, and Desert Sands
16 Unified Food Diversion Programs.

17 In the coming year, we're also planning workshops
18 on multi-family diversion and procurement. We will also
19 be developing new models and case studies to help
20 jurisdictions with their programs, as well as continuing
21 our efforts to set up peer matches between jurisdictions,
22 which has been extremely successful thus far.

23 --o0o--

24 BRANCH MANAGER MORGAN: Another workshop we're
25 planning for next year will focus on school district

1 diversion. We're planning on bringing together local
2 jurisdictions, school districts, and service providers to
3 share the ins and outs of setting up district-wide
4 sustainable diversion programs. We will also be
5 highlighting the efforts of our model environmental
6 ambassadors.

7 Phil will now continue our focus on the future.

8 --oOo--

9 BRANCH MANAGER MORALEZ: As the earlier slide
10 noted, we have been able to adopt a lot of electronic
11 filing, which has increased the reportability. We have
12 almost 100 percent compliance on a program that has no
13 enforcement capabilities, but through the good efforts of
14 staff have been able to get the cooperation of the
15 majority of state agencies and large facilities.

16 We will continue to promote diversion rate
17 increases. Based on the plans that were received from
18 state agencies, we currently had over 60 percent diversion
19 with state agencies and large state facilities. And
20 continue to grow because we continue to promote other
21 avenues for the state to continue to recycle, because
22 their efforts do impact local jurisdictions. We know
23 that, and we promote that.

24 We also have recently acquired the SABRC
25 reporting system, and in the process of working with the

1 Department of General Services to find a way to
2 electronically handle all the reports. They currently
3 have a tracking system for procurement. We're working
4 with them and that database to be able to gather the
5 information they get on a monthly basis from state
6 agencies. And, again, to attach SABRC reporting as part
7 of that database system.

8 We will increase the number of state agencies.
9 Obviously, we'll be able to minimize the amount of work to
10 be done and reduce the amount of capitalization they have
11 to spend to send reports to us when we develop that
12 electronic tracking system. And we'll continue to work
13 with markets and state agencies in promoting buy recycled,
14 procurement of recycled content, and look at, again,
15 promoting green building among all the state facilities
16 and local government as well, because we do work with
17 local government in those areas.

18 --o0o--

19 BRANCH MANAGER MORALEZ: As you can see, the
20 DPLA's ability to use our electronic system, we probably
21 have one of the finer web pages, I think, out there. If
22 you take a look at the Internet, there are millions of
23 websites. There are probably hundreds of thousands of
24 government websites. And, yet, if you look at what we've
25 been able to do, again, I think it speaks to the value of

1 information we provide and the service we provide is that
2 we've gone from a few thousand hits to over 80,000 hits a
3 month. That's incredible when you look at it in terms of
4 what's out there. And, obviously, it's serving a purpose
5 for both our constituents as well as the customers we
6 serve.

7 --o0o--

8 BRANCH MANAGER MORALEZ: So where are we going?

9 Well, again, local government is looking for more
10 information, and we try to be as cooperative and as
11 helpful as we can. So we've come up with a new system
12 called LoGIC. We're on a special project dealing with the
13 way in which we have one database that serves hopefully as
14 many purposes as needed out there, from local government,
15 to consultants, to Board staff, and the Board members
16 themselves to integrate the database so that it's
17 comprehensive.

18 When you ask a question, hopefully when you push
19 in the right buttons and the right numbers, you get an
20 answer or at least know where we're going. It's a very
21 hefty project. We've committed several staff to working
22 on it. And, again, with the help and assistance of IMB
23 and our staff, we look at this being a very positive
24 project in the near future.

25 One thing I would like to note, though, and it's

1 not in the next slide. And I know Pat is going to push
2 the button. But I think it's important to realize we've
3 gone through very quickly a lot of work that's gone on.
4 And the managers here didn't do all the work. It's based
5 on the staff behind us who have worked very hard, very
6 diligently.

7 Lorraine's staff are probably the most unseen
8 heroes when it comes to developing information for the
9 databases and for the hits. They're the result we got a
10 lot of hits. A lot of information is done and developed
11 by her staff.

12 When you look at local government, Cara and Steve
13 Uselton in Southern California have been done an extremely
14 good job of turning the nature of the Board being an enemy
15 to the local jurisdictions to being a friend. I think if
16 you do a survey, you would find the majority of the local
17 jurisdictions feel very positively about staff. And
18 that's our commitment to them.

19 And Trevor, of course, with State Agencies, it
20 was a program that never get off the ground because there
21 was no enforcement. Trevor's personality is so outgoing,
22 how could they say no to him and his staff? And I think
23 perhaps in that regards, the SABRC reporting requirements
24 give them another challenge to see if they don't say no
25 again.

1 So with that, I'd like to conclude that we
2 appreciate the direction of the Board members have given
3 us. We continue on the path to continue to move forward
4 to increase diversion in the state and the accuracy of
5 that information, and we look forward to the future.

6 Any questions from staff?

7 CHAIRPERSON PAPARIAN: Any questions?

8 Board Member Mulé.

9 COMMITTEE MEMBER MULÉ: Thank you, Mr. Chair.

10 I, too, just want to commend staff for all the
11 work they've done. We've got 15 years here that we've
12 been through a lot of changes. And when I was in the
13 private sector, we went through a lot of changes. And I
14 know that's not always easy.

15 So I want to commend staff for working through
16 those changes and with the positive attitude of moving
17 forward, and most importantly continuous improvement.
18 Because I think that's what we're all here for, is to, as
19 Pat said, maximize diversion. And that is critical. And
20 so what worked back in 1990 or the early '90s as far as,
21 you know, getting residential programs and commercial
22 programs going, that was good. But now we've got to look
23 beyond that. And we've got to look at the other waste
24 streams and how we can mine those, if you will, and divert
25 those from the landfill. So, again, I want to commend

1 staff for all the work you've done. You have done a
2 tremendous amount of work.

3 The other thing, though, Phil had mentioned the
4 state agencies. And I feel that's a very important
5 program, because we, as state agencies, should set the
6 example for the private sector, as well as nonprofits and
7 say, "Here. We're not only talking the talk, but we're
8 walking the walk." And I think that's very important that
9 we do that. And not only that we do it, but we advertise
10 our results. This is what we're doing. We are setting
11 the example. We are the role models. And, again,
12 anything that we can do to further that, I just applaud
13 you for all your hard work and efforts.

14 Final comment, though, is on the second slide,
15 what guides us. I just want to mention, you know, I don't
16 think that our intention in moving forward is to
17 necessarily save anybody -- any of the jurisdictions time
18 and money, per se. I think what we're trying to do is
19 redirect their resources so that we can maximize
20 diversion.

21 One of the things I'm hearing from jurisdictions
22 is that, "If we didn't have to go through so many numbers
23 calculations, maybe we could spend more time on program
24 implementation." And I have seen that in some
25 jurisdictions. I have seen some of our staff work very,

1 very diligently with the local jurisdictions. And so I
2 just want to emphasize that point. I think that's what
3 we're all here for is to maximize diversion and to do that
4 in the best way possible and most efficient way possible.

5 So again, thank you, Mr. Chair.

6 CHAIRPERSON PAPARIAN: Thank you.

7 And I think you spoke for all of us about the
8 good work of the staff. And the state agency efforts,
9 it's actually been in the back of my mind that would be
10 another presentation or mini-workshop. It's been one I've
11 been very interested in since I've been on the Board.
12 Maybe it's time for us to take a look at that and see what
13 we can do even better on that program.

14 Board Member Marin.

15 COMMITTEE MEMBER MARIN: Mr. Chair, I think one
16 of the things we also need to do when we recognize the
17 efforts of the state agencies -- and it is pretty
18 remarkable what they're doing at least in reporting. And
19 they've achieved 100 percent reporting. So the question
20 for me is, if we have been so successful in having the
21 state agencies achieve that, how can we translate that
22 success into the other areas? And I know making a lot
23 easier for jurisdictions to do it is certainly a huge
24 improvement.

25 But we need to highlight those, Mr. Chairman. I

1 don't think that we do enough to say, look, we are very
2 successful. We had a mandate from the state to do X, Y,
3 and Z. Not only are we doing it, but we can document it
4 that we're doing it.

5 And I talked to some different legislators and I
6 said, "Some people have said, 'Well, you know the Water
7 Board is responsible for doing this, this, and this, and
8 they've done a good job. And the Air Resources Board,
9 they're doing their job.'" Everybody knows what they have
10 done. I think we are the best kept secret in town. I
11 think as a Board, you know, we have not really pumped our
12 chest. You know, we have not -- that's probably not the
13 best way to say it, but we have --

14 (Laughter)

15 CHAIRPERSON PAPARIAN: Time for lunch.

16 COMMITTEE MEMBER MARIN: We need to let people
17 know how successful we have been, Mr. Chairman. And I
18 think I need to eat now.

19 CHAIRPERSON PAPARIAN: Okay. Any public comment
20 before we adjourn this Committee meeting?

21 Okay. Seeing none, this Committee is adjourned,
22 and the workshop will start at 1:30.

23 (Thereupon the California Integrated Waste
24 Management Board, Sustainability and Market
25 Development Committee adjourned at 11:58 a.m.)

1 CERTIFICATE OF REPORTER

2 I, TIFFANY C. KRAFT, a Certified Shorthand
3 Reporter of the State of California, and Registered
4 Professional Reporter, do hereby certify:

5 That I am a disinterested person herein; that the
6 foregoing hearing was reported in shorthand by me,
7 Tiffany C. Kraft, a Certified Shorthand Reporter of the
8 State of California, and thereafter transcribed into
9 typewriting.

10 I further certify that I am not of counsel
11 or attorney for any of the parties to said hearing nor in
12 any way interested in the outcome of said hearing.

13 IN WITNESS WHEREOF, I have hereunto set my hand
14 this 15nd day of October, 2004.

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